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West Europe Report



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8 June 1984

WEST EUROPE REPORT

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SDP PRESS ORGAN DEFENDS PARTY'S OPPOSITION TO MISSILES

Copenhagen AKTUELT in Danish 4 May 84 p.8

[Editorial: "In the NATO Fold"]

[Text] A commentary on Folketing's latest nuclear debate said that the "Social Democrats are back in the NATO fold." The return supposedly occurred in connection with the proposal that Denmark remain free of nuclear weapons "in peacetime, during a crisis or in wartime" by promoting the plan of a Nordic nuclear-free zone "in a larger European context and subject to guarantees by the United States and the Soviet Union."

The Social Democrats have been in the NATO fold all along--based on the realization that the power blocs exist, that arms reduction goes through the blocs and that influence is based on membership. There is no doubt about that. It has been said that the Social Democrats have produced problems by not being unconditionally compliant in NATO, but that is something else and it is legitimate to try to influence NATO. It is also another matter that prominent Social Democrats have a habit of talking in such a way as to create doubts about their party's position.

Of course the Social Democrats are not pursuing a policy contrary to Denmark's interests. We have Foreign Minister Uffe Ellemann-Jensen's assurance of that. He has spoken of the importance of the Social Democratic resolution for a movement in the direction of unanimity on security policy. The Socialist People's Party could also vote for the Social Democratic resolution yesterday.

And isn't that progress? Now we just need a de-escalation of nuclear arms. This process must occur through NATO and the Warsaw Pact lands.

6578

CSO: 3613/167

BRIEFS

SOCIALISTS ESTABLISH PEACE ORGANIZATION--Yesterday the Social Democrats formed a new nationwide solidarity and peace organization within the labor movement. The name of the organization is the Labor International Center, AIC, and it began as a local initiative in Copenhagen 3 years ago. "For years there has been a need for a gathering point for Social Democrats who are working for peace, solidarity and issues in other countries. We have let others take the initiative and the fact is that it is impossible to get a clear view of existing organizations," said the chairman of the organization, Claus Jensen, who is international secretary of the Semi-Skilled Workers' Union and has been a member of the Social Democratic Party's committee on foreign and security policy since 1976. [Text] [Copenhagen AKTUELT in Danish 7 May 84 p 2] 6578

PEACE RESEARCH CENTER APPROVED--Education Minister Bertel Haarder (Liberal) received a recommendation Tuesday from Folketing's Education Committee on the establishment of a peace and conflict research center and on the composition of the center's board of directors. The minister said he would follow the recommendations of the committee majority, though under protest. He and the government parties happen to support the minority statement from the specialized committee that came up with the idea for the center. The majority, consisting of the Socialist People's Party, the Social Democrats and the Radical Liberals, recommended a board made up of seven members who are experts in the field. Four would be appointed by the Research Planning Council, two by researchers associated with projects financed by the center and one by the governing body of Copenhagen University with which the center will be affiliated. A third of the research appropriations for the center are to be used for projects at universities and institutes outside the center. The center's two main tasks in a 3-year trial period will be to investigate "nonoffensive defense systems in Europe" and "nonmilitary aspects of European security policy." [Text] [Copenhagen INFORMATION in Danish 9 May 84 p 5] 6578

CSO: 3613/167

FOUNDER OF GREENLAND PEACE MOVEMENT INTERVIEWED

Copenhagen LAND OG FOLK in Danish 5-6 May 84 p 10

[Article by Poul Krarup]

[Text] The people of Greenland should determine the fate of the U.S. bases, according to a newly formed Greenland peace movement.

"The American bases in Greenland are part of the U.S. counterforce strategy which is aimed at destroying the Russian retaliatory capability. Therefore they are important targets for a nuclear attack in the event of a showdown between East and West," said teacher Baltser Andersen of Qasigiannnguit (Christianshab). Together with another teacher he started a Greenland peace movement on 1 May of this year. The movement has been named Sorsunnata, which means "no war."

U.S. Interests

The threat of becoming the focus of a war in which Greenland has no interest is the background for the formation of Sorsunnata whose purpose is to inform people about the arms race and the risk involved in having the American installations in Greenland. Sorsunnata also wants to start a fundamental debate on who should give the Americans permission to be in Greenland.

The bases were located in Greenland during World War II and were primarily intermediate landing points for the many airplanes that were sent from the United States and Canada to the European war theater. They were also used as bases for the airplanes that helped the convoys and it was from there that Greenland was defended against German efforts to land in Greenland.

The bases became relevant once more when Denmark joined NATO--Denmark's position was that no foreign troops or bases should be located on Danish soil. But this principle did not apply to Greenland--the Danes decided. Of course they did not ask the Greenlanders. Permission for the American military installations in Greenland may well be the reason why Denmark could shirk its commitment and why today Denmark gets off relatively cheaply with regard to its NATO membership.

The Thule base was established in 1952. This occurred during the Cold War when the United States almost encircled the Soviet Union with bases in order to halt the spread of communism.

Electronic Warning

In the late 1950's an enormous radar station called the BMEWS station was set up in Thule. There are three of these stations in the entire world, one in Alaska, one in Thule and one in England. The abbreviation stands for Ballistic Missile Early Warning System and it is a warning system for inter-continental ballistic missiles. BMEWS gave the United States a warning time of roughly 15 minutes with regard to ballistic missiles coming from the Soviet Union. The station was connected with an anti-missile system in the United States.

At the same time the four stations in the so-called DEW chain were set up. This is a chain of radar stations lying along the 70th parallel. Four of them go across Greenland from Sisimut (Holsteinsborg) in the west to Kulusuk near Angmagssalik in the east. DEW stands for Distant Early Warning.

Thule also has a satellite tracking station and a radio communications system. Finally there is the American Loran-C navigation station for submarines in Angissoq in South Greenland.

Although the United States has used missile warning satellites since the beginning of the 1970's when they were first sent in orbit around the earth, there is apparently still a use for the BMEWS station in Thule, since the Americans have started a modernization program costing several million kroner. At the same time they are modernizing the radio communications facility, "Giant Talk," which is intended for establishing radio communications with their own military planes. This is a worldwide radio network that is being modernized under a program with the code name "Scope Signal III." The other radio communications system is called "Green Pine." The difference between "Green Pine" and "Giant Talk" lies in the frequencies used, according to the defense minister.

Offensive Installations

Swedish author Paul Claesson, who published the book, "Greenland--Pearl of the Mediterranean," last year says that the American installations in Greenland are part of the U.S. counterforce strategy. This is true of both BMEWS and the "Giant Talk" system. Otherwise there would be no reason for retaining and modernizing BMEWS after the missile warning satellites were sent into orbit. These satellites give the United States twice as much warning time (in other words, half an hour) as BMEWS was able to provide.

Paul Claesson points out that today BMEWS is intended for tracking foreign missiles in the counterforce strategy, so that the U.S. anti-missile system can detect and destroy the Russian missiles.

Thus the facilities in Greenland are a threat to the Russian retaliatory capability and for this reason the Russians would be interested in destroying them so a retaliatory attack can be carried out without interference. That is the background for Sorsumnata's fear and that is the reason why the movement feels it is necessary to start a debate in Greenland.

Does the group intend to throw the Americans out?

"No, that is a question the people and the political parties must take a stand on. Our purpose is to inform people about the bases and create a debate on the arms race. In addition we will draw attention to the complex problems confronting Greenland," said Baltser Andersen.

He said the bases represent a real war threat because they play a large role in the American defense strategy.

"This is a strategy that I regard as very aggressive and that the Russians must view as a threat. The purpose of the American counterforce strategy is to destroy the opponent's retaliatory capability. It is a very cynical and very dangerous strategy that will force the Soviet Union to build up a similar system, making Greenland a very important target all of a sudden for a possible Russian attack--or counterattack. The Russians would have to destroy these installations in order to respond to an American attack."

Why haven't Greenlanders stepped in before?

"The bases and the radar facilities have always been regarded as part of a defense system that was not a direct threat to the Soviet Union. And it was not until the publication of the book, 'Greenland--Pearl of the Mediterranean,' that we became aware of how dangerous the installations are for Greenland.

"In addition the bases and the radar stations are a big help to Greenland in daily life. There are connections from these facilities with the civilian planes that fly over Greenland, which is a big aid to internal airplane traffic. The Americans also lend a hand with ambulance flights, helicopter transport, hospital facilities and other things. These are the things that are stressed in daily life."

The Americans are now interested in getting new radar stations on the west coast of Greenland in the municipalities of Nanortalik and Nuuk (Godthab). These wishes have not led to any concern in the municipal councils involved as long as the stations provide work for the local population. In Nuuk they also hope that the helicopter landing site (called a heliport) that will be set up in connection with the radar facility can be used by the nearby town of Fiskenaesset.

Thus it is these more down-to-earth short-term interests that characterize the relationship of the broad mass of the Greenland population to the

American installations. This fact underlines the need for an information campaign in the view of Sorsunnata.

Decision for Greenlanders

Finally, Greenland and Denmark have entered into a division of tasks with the introduction of home rule that makes it impossible for Greenlanders to determine their own positions. Greenland's foreign policy, defense policy and security policy are determined by the national community and in practice this means by the Folketing majority. So in reference to the Greenland home rule legislation, the local government has no chance of throwing the Americans out of Greenland.

In the fall Sorsunnata will launch an information campaign about the American installations in Greenland and the arms race between the superpowers.

The arms race, which Baltser Andersen characterizes as the extermination spiral, represents a permanent threat to the entire population of the world and Sorsunnata feels that Greenland has become involuntarily involved in this race on one side.

Baltser Andersen stressed that the Greenland peace movement is not connected with any particular political party.

"The purpose is to make the movement as broad as possible and to make it independent. In principle, however, we feel that the bases are a Greenland affair and that it is wrong to have the decision on their presence placed outside the jurisdiction of the home rule government. The people of Greenland are the ones who should decide whether we should have American bases that are a threat to a third country," said Baltser Andersen.

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DEFENSE UNDERSECRETARY CICCARDINI ON DISARMAMENT, SECURITY

Rome IL TEMPO in Italian 25 Apr 84 p 15

[Interview with Bartolo Ciccardini, undersecretary of defense, by Carlo De Risio: "Italy Risks Exclusion From Major European Military Decisions"; date and place of interview not given]

[Text] Our antimilitarism is inherent in our culture. We are still far from an in-depth debate. Increased dilution of our security apparatus. The negative consequences of the nuclear nonproliferation pact. The danger of a joint Franco-Anglo-German military directory with respect to, but not limited to, a European deterrent, involving the exclusion of the Southern Front. What are our borders? Five significant points involved in a more dynamic and up-to-date foreign and military policy. The training of our soldiers.

"The culture of the military, and the debate it generates regarding aims and defense doctrines, must be made an integral part of all debate on Italian problems. Economic sacrifices cannot be demanded of the citizens in a democracy without involving them in the reasons for and the purposes of those sacrifices."

This concept is forcefully stressed by Bartolo Ciccardini, 55, married, father of three, a Christian Democrat, and four times a legislative deputy. It is not by mere coincidence that he has been undersecretary for defense since 1979, under the Cossiga, Spadolini, Fanfani and Craxi governments. In regard to military matters, he is a "full-time professional."

[Question] Is it your view then that antimilitarism is inherent in our Italian culture and that we are still far from having initiated an in-depth debate on this topic?

[Answer] Definitely. There is no point in hiding it from ourselves. We must face up to the fact of our underrating the military culture and of the backwardness of our debate. There is much to be done yet, in this regard, in

Lurking Dangers

There are dangers to be feared: The emergence of a joint Franco-Anglo-German defense directory (and not solely with respect to this sector) centered on a Central European strategy and, for all practical purposes, on the abandonment of the Southern Front, leaving it to a Greece and a Turkey that are at each other's throats and to an Italy held in very low esteem. This configuration would lead to the fall of Europe.

There is a need, therefore, to proceed on the basis of three scenarios or options: a) A European nuclear arsenal, returning to the De Gasperi-Adenauer-Schuman plan for a European defense; b) denouncement of the non-proliferation treaty, not, of course, to build an Italian atomic bomb (that would be ridiculous) but rather to negotiate on a European deterrent and nudge the nuclear umbrella southwards; and c) commit ourselves totally, imaginatively and obstinately to general and verified nuclear disarmament. There is no contradiction between this and my preceding remarks, since the disarmament negotiations would proceed only from a state of equilibrium and only those who are members of the nuclear club would be sitting at the negotiating table.

[Question] It has been said and reiterated that raising the "nuclear threshold" will axiomatically mean increasing one's conventional arsenal and mounting a credible "conventional" defense, credible, that is, from the standpoint of its various components. This translates to increased appropriations. I am not asking that you formulate a miraculous prescription. But how would you go about resolving this dilemma?

[Answer] The basis of future security is necessarily top-flight scientific research. Italy has a modern and competitive arms industry. It is not a matter of our becoming arms merchants. We must plow back--to the benefit of our Armed Forces--some of the money we are spending for research and development of weapon systems in cooperation with other countries. Which means, while not selling arms, manufacturing them jointly with the others. The "returns"--as happens now, timidly--would ensure our country's being equipped with state-of-the-art and, above all, "credible" weapon systems.

[Question] Another recurrent argument has to do with the "dilution" of our defense capability, bearing ever-presently in mind, without dragging in Clausewitz, that "if one tries to defend everything, one ends up defending nothing."

[Answer] It is now I who pose a question: Where exactly are our borders? In years past, our border, our boundary from a non-interdependency standpoint, coincided with the "Gorizia threshold." Precisely, simply, easily and orthodoxically defined in accordance with NATO guidelines. Today, this is no longer true. Not only that. But I also add that we are defending ourselves, along the entire length of the peninsula and beyond, not only with weapons but also with a policy of alliances, understandings and friendly relations.

A precise prefigurement of the ultimate test of the "regional" strategy, from which NATO can also benefit, has been provided by Lebanon, with the absence of an important card. Syria operated and continues to operate with the backing of the Soviet Union; Israel operated and continues to operate with the backing of the United States. Lebanon's fate would assuredly have been different had Europe's backing been brought to bear, had a European force, a totally European force, arrived in Beirut.

At this point in time, Italy has before it some well-defined policy options. It is to be hoped that we will have the courage to lengthen the focus of our binoculars. There are at least five points concerning which we should have a say, and concerning which the delimitation between foreign policy and military policy is nonexistent.

The first of these is the Adriatic. A "territorialization" of this basin is in Italy's best interests as well as those of Yugoslavia and Albania. This is not a hasty judgement, even considering the different situations of the three countries. A regional understanding could lead to a demilitarization of the Adriatic, which is absolutely of no use to us as a "military sea." The second point is the Ionian. The organizing of a "regional" policy there is not a pipe dream. Greece is an ally; Malta is assured (by us); and Libya, for its part, would have everything to gain from a stable situation there. A similar yardstick can be applied to the third point: The Sicilian Channel. Our open dialogue with Tunisia could be broadened; and as for Algeria, don't forget the existence of the gas pipeline, the status of which--in terms of security between the Italian shore and the Algerian shore--is certainly not something to which the leadership of that North African country is insensitive.

Basic Interests

The fourth point concerns relations among Italy, Spain and France. There is a great deal of reticence between Rome, Madrid (privileged interlocutor with the Arabic world) and Paris (major power, nuclear as well) regarding vital interests in the Mediterranean. And the fact is that not even NATO's Southern Forces Command is of much help in facilitating a three-way dialogue.

The fifth and last point is all-encompassing of the other four. Before thinking in terms of a new definition of our "shoreline," of a defense of every inch of Italian shores, let us raise our line of sight and take a look at what lies beyond our seas. We find that our Italian borders loom far less precise than we had imagined.

In sum, the situation requires that we make our decisions, run the attendant risks, and seek to make up for our calculated shortcomings through imaginativeness, for the impossibility of defending "everything" through political ingenuity.

[Question] Honorable Ciccardini, what, in your opinion, should be our priorities from the standpoint of national defense?

[Answer] An air defense worthy of the name; increased mobility of our best ground forces components; nuclear-powered submarines.

[Question] Precisely recently, the polemic has resurfaced as to carrier-borne aviation, naval aviation...

[Answer] I repeat: The nuclear-powered submarine--attack type, of course, not missile-launching (no one, I hope, will be shocked by this, in view of the American nuclear submarines based at La Maddalena).

[Question] Another "must-be-asked" question: What about soldiers?

[Answer] Some of our Ground Forces need more training. Sophisticated and costly weapons can simply not be predicated on their being handled by draftees, who, practically speaking, have barely acquired a familiarity with such weapon systems by the eve of their discharge, under the 12-month service-tour requirement. To provide an incentive to the system--by way of "reminder"--I consider it necessary to introduce the female draft. And as for conscientious objectors, they must be required to make a genuine contribution, serve in a civilian capacity worthy of the name. Conscientious objection must absolutely not be merely a personal option. On this point, it is my view that there must be no giving in.

[Question] How could an adequate, politically acceptable platform be created to support a modern and functional "Italian defense model"?

[Answer] The widest possible agreement must be achieved between majority and opposition on the basic lines of our military policy. It is to be hoped that, with time, the leftist opposition will have shaken off its unproductive heritage. This, of course, is but a hopeful thought on my part.

[Question] In sum, more than merely political, the problem is cultural. And with that we return to the starting point of our interview. Is that not so?

[Answer] Precisely so.

9399

CSO: 3528/86

EXPERT PANEL DECRIES ECONOMIC, POLITICAL 'EUROPESSIMISM'

Hamburg DIE ZEIT in German 11 May 84 pp 17-21

[Interview with Helmut Schmidt, ZEIT editor and former Federal Chancellor; Gaston Thorn, president of the EC Commission; Gert Lorenz, board chairman of the Philips Communications Industry; Wilhelm Christians, board spokesman of Deutsche Bank; Ralf Dahrendorf, director of the London School of Economics; Rudolf von Thadden, professor of medieval and modern history in Goettingen; and Gerd Bucerius, owner and publisher of DIE ZEIT; by Marion Countess von der Groeben, ZEIT editor; Theo Sommer, ZEIT editor; Kurt Becker, former government spokesman and deputy ZEIT editor; and Michael Jungblut, chief economic ZEIT editor: "We Are Talking Ourselves into Pessimism." Date and place not specified]

[Text] [Question] Mr Thorn, has Europe really fallen so much behind as we recently had to read about it under the title "Europe in Decline" in NEWSWEEK? Or are we talking ourselves into becoming puny and ugly? Has Europe technologically fallen behind, is it politically ineffective, and is the Pacific region really about to surpass us?

[Thorn] Both is true. Occasionally, we are talking ourselves into being still smaller and uglier than we might already be; yet facts are there also, and they speak for themselves. There are some areas in which we have fallen behind.

From that one must draw the inference that none of the countries that believed to be the greatest up to the first half of the 20th century--and were in fact among the greatest at that time--will be able to play this role by itself in the future. Learning a joint game is hard for all these countries in view of the past they share. The first start worked because we very differently motivated after World War II. But then we got stuck.

[Question] This technical backwardness, Mr Lorenz, does that actually exist?

[Lorenz] I cannot really agree with the NEWSWEEK article that made a great deal about technological gaps. I would underscore the way the question is put: Are we not too pessimistic, are we not talking ourselves into pessimism? This Europeessimism by now annoys me as much as the constant talk about the technological gap.

Electrical engineering is portrayed all over the world as the motor for growth. It is time to make the point that EC-Europe in the field of electrical engineering

is not number three in the world, but clearly number two, as far as the trade, the market and production are concerned. That comes to a turnover magnitude of circa DM 1,500 billion.

As especially crucial for innovation then comes--as the second field--electronics. By electronics we mean communication techniques, information techniques, office technology, construction component technology, microelectronics, and control techniques. Also in the electronics field Europe is number two in the world in terms of markets and production. And there, in our prognoses, Europe has an above-average chance for growth in the market; that also has something to do with the fact that in data processing we have a certain need to catch up.

Even in data processing the European output is larger than the Japanese. Europe has some weaknesses in entertainment electronics yet still produces circa as much as Japan. In other words: If one takes the output in these growth areas, the United States is without any doubt number one in the world today, Europe number two, and Japan number three.

[Schmidt] Per capita data are of course much more interesting than absolute figures. The European economy, after all, is more than twice as large as the Japanese.

[Lorenz] They are for all of electronics production in Europe roughly on the same level as in Japan, our growth rates being smaller, to be sure, than the Japanese.

How that is going to develop in the future can clearly be seen when one goes onto the "third level," microelectronics as the basic motor for everything. There it looks darker, that is quite so: 60 percent is produced in the United States, 30 percent in Japan, and only 10 percent in Europe. That is not so because we have a technological gap--that I simply dispute--but because our use of microelectronics is only about half that of America: every producer in America uses twice the amount of microelectronics a European producer uses; Japan is in between, somewhat below the United States. That is the point that ought to make us think.

What I am worried about is this: that we have no European industrial policy, do not understand how innovation and substitution hang together. So in Europe we seek to give gas for innovations, but we are putting a brake on the substitutions needed for that.

[Question] Can you tell us what you mean by substitution?

[Lorenz] Innovations, as I see it, are new products, new applications for new markets. Innovations bring it about that these new products actually create new markets--and that creates growth and new jobs as well. But innovations still have another effect: old products and procedures are replaced--substituted for--by new products and new procedures. This substitution process is absolutely necessary to create growth and make the markets develop for innovations. We seek to affirm innovation but are putting a brake on substitution. That is not so in the United States and Japan.

[Christians] I should like to add a special and a general aspect to this. About our failure to apply what we are ourselves producing you can find out any day you make your way through machine factories and see the modern equipment there. I am absolutely astonished and appalled to see how in recent years Japanese products have taken the place of precision machinery--cheaper and free of maintenance--that one could not even have expected of Japan in the past. For reasons of costs that is even the case among German machine manufacturers who suffer from not being able to compete against the Japanese on third markets.

Yet even in installations construction the Japanese are getting in our way. I can say that of several firms I am taking charge of; those are sectors in which I know my way. As far as orders for investment goods are concerned--which are becoming rather perceptible now, stimulated by the Hannover Fair--the Japanese competition can now increasingly be found in areas where we had always thought that the Japanese are thinking in series production, and by making a mass production showing they must in fact produce en masse. But we Germans are the "custom tailors," can open up markets, our medium customers are used to that, we know what the customers want, we are developing the machines and are installing them. We are known to be reliable suppliers.

That the price then is not right is something else again. Today one has more and more to pay a premium on it because of favorable financing terms. And that gives us also, for example, an unfortunate shifting in localities. Many of our customers are going to France. Not because it is better there but only because they want to use a more beneficial export financing system. Locations making sense in terms of enterprises are abandoned and shifted to where the "accessories"--that is what financing has always been, and it is becoming increasingly important--come at more favorable offers.

Now as to the general aspect: Here I concur with Mr Thorn. If we look at the trend in the last 10 years, we just have to realize that the trade within the EC countries has lost some of its growth dynamism in recent years. When England, Ireland and Denmark joined we received impulses moving us toward a high point in the mid-1970's. Greater worry comes from the development of our world market position. Prior to the deep recession of 1974 the EC countries held a 41 percent share of the world market. That figure is dropping. First it plunged to 38 percent and last year, to 35 percent. A trend gets added to that which also prejudices psychologically. The Far East, Australia and America are uneasy and increasingly angry about Europe. And what the Brussels EC summit last did--and the Athens summit before, does not exactly help the Germans and Europeans in dealing with overseas trade centers, as they are losing their self-confidence.

If we understand Europe, then there is where we--with reference to all Countess Doenhoff has said--mainly find our spiritual resources. We carry the historic baggage of variety. That also forms the humus for innovations and for aiding the third or the fourth world.

[Schmidt] Mr Lorenz is likely to be able to tell us to what extent Philips is a Dutch or an EC corporation. Mr Christians could tell us to what extent Mannesmann is a German or European corporation. And someone may perhaps be able to answer the question how much Fiat is an Italian or European corporation. I

suspect in all three cases the answer will be: But they are multinationals. But when you take a good look at it, you find a Dutch, a German and an Italian corporation. That's the way it goes. The enterprise economy has been asleep while the European governments were unable to put Europe together.

[Christians] I protest, Mr Chancellor!

[Schmidt] I am not through yet. The disinclination for substitution or innovation Mr Lorenz talked about could also be formulated as a disinclination for investments.

[Lorenz] As a consequence of it.

[Schmidt] All that has to do with their being national corporations setting up their branches or subsidiaries in various European countries, seeking there, by adapting to national industrial, technological and business cycle policies, to expand their share of the market. There is no European market, and so there are no European bids. All that is fiction, coming out of the statistics.

[Lorenz] Philips is a corporation doing research, development and production all over the world. But I dispute that there is no European market. About modern technologies it may, however, be said these are international technologies, international standards, international markets. For microprocessors and microcomputers and even computers it makes no difference any more. These are all world products you can, in principle, sell everywhere in the world on identical specifications. Only to that extent it is correct to say that there is no European market for them--but then there is no American or Japanese market for those products either.

[Question] As to scientific research, everything has to be done nationally. Is that not so? Duplication brought about by that is disadvantageous.

[Lorenz] The important thing in research is not whether and where we are duplicating. Important is that we have the research freedom so that those who do the research can make what they have in their heads. The dangers that come with subsidies and promotional programs--that one does research because one is getting paid for it--seem much greater to me than the dangers of possible duplication. I do not think that is all that bad sometimes even within a firm or university; the competition it generates furnishes the motivation for achieving a fine result.

[Schmidt] A very important point however is that applied research and development in America would of course never have this range, were there no U.S. defense budget amounting to nearly half of the German GNP, a gigantic part going to R&D.

[Lorenz] Absolute research expenditures are higher in the United States than in Europe because a bigger pot is available there. Per capita or in terms of the given GNP, it is not all that much more, however.

In one point I have to agree with Helmut Schmidt: Research and development must definitely be separated; then the Americans, through their target-directed application of research data to actual products--via military, communications and information technology--are truly ahead.

[Question] Would the French proposal on a European satellite program be a nucleus for a European research effort? Or only a copy of American successes?

[von Thadden] If this discussion took place in France, the priorities would look different. An Olivetti manager recently, during a discussion in Paris, answered the question of what Europe means in economic policy as follows: To me, the nation exists as the world of life and, as the world of trade, only the free West as such; between the two there is not much of a tangible reality.

I should like to add to that, however, that for that very reason the Europe debate in France does not exhaust itself in economic and security policy deliberations. There they take the factor of the cultural ties more seriously than we do and raise the question, for instance, whether and to what extent the nations' differences in mentality affect social and military collaboration. In Germany we are more naive and one-sided in trusting the potentials of technology, it seems to me. Nations as well as transnational mergers are more than merely economic and performance corporations.

[Dahrendorf] European countries are more typically rigid than are the United States or Japan. Here we have much more legislation and hard and fast inflexibility. That has all sorts of consequences. Almost all the measures taken have been national ones, even if it has to be said today that the EC has kept itself suspended within that process, as it were.

[Schmidt] By which we have had for 10 years a return to compartmentalization in EC-Europe. We were farther ahead in 1974 than we are today. All these retrogressions came from the pressure of unemployment.

[Question] The question is who actually is supposed to revive Europe. We have all found different culprits, either the EC or the various countries.

[Schmidt] What community are you talking about? If you mean the Brussels Commission and the bureaucracy in Brussels, you must say so. Or else, when you are referring to the community, you have to say: the ten governments. And they are all less capable than 10 years ago because they all are nationally under the pressure of their responsibilities for 2 to 3 million unemployed. If they did not face a national responsibility because of this structural economic crisis, they would behave differently. But they are accountable to their own constituencies and therefore introduced all these protectionist measures and financing tricks which all that had been accomplished by 1974 as a common market has already been reversed instead of pushed ahead. We have less of a common market today than 10 years ago.

[Christians] Our banks in the late 1960's adopted a community initiative with European partners with the long-term goal to place our national sovereignty under joint European banks. That had all been planned with confidence in a Europe policy. We did not get any closer to our long-term goal since. Disappointed, everyone recalls national needs once again; what we have in common recedes.

[Thorn] The Americans are ahead, the Japanese are catching up, and we are falling back.

As far as the comparison with America is concerned, the Americans do not have a better market than we have, but there any firm may sell in the entire region between the Pacific and the Atlantic. The so-called "European firm," however, does not exist because there is no such European region in which such a firm could sell. Many firms rather take a partner, maybe a Japanese or an American, but they are not erecting a European firm; each, rather, figths for his market share.

If the French should try to sell a locomotive to the FRG Railway, they would fail. If Siemens wants to sell the French a telephone installation, ~~it~~ won't come to pass. But 60 percent of the turnover in these top fields is in the public sector, post, railroad and so forth. Some day that must be blown apart.

[Schmidt] To shift a bit from the economic to the political rield: The years 1978 and 1979 was the last period that was fairly fruitful for advances in European integration. There was something in 1978 that was not possible afterwards anymore: a joint position by the European governments on the intricate problems in Near East and Middle East policy. Meanwhile the Europeans have withdrawn from that, covering themselves temporarily with the fig 1 af of joining a so-called peace force in Lebanon; but that was only a partial departure from just one piece of the Middle East. Now and then something still happens, e.g. in Chad, with the Frenchman in charge dispatching three regiments there. For the rest, the Europeans totally retreated from the policy in Southeast Asia, Southwest Asia--Afghanistan, the actual centerpiece of the Middle East, the Gulf, the southern half of the Arab peninsula, and the whole region around the Horn of Africa. Meanwhile they even pulled out of the policy in Angola. That too the Europeans have relinquished to the Americans.

1978 also was the last year for making progress in European integration, the year of the European currency system.

1979 was the last year for a foreign policy consensus between the Europeans and Americans, the year of the dual resolution, from early January in Guadeloupe until December in Brussels.

All that has gone to sleep since then. That also has to do with the consequences with the structural world economic crisis: The European governments for 90 percent of their time are busy justifying themselves vis-a-vis their respective national opinion for adopting any kind of measures, of the effectiveness of which they themselves are not quite convinced, but which create, preserve, or protect national jobs--or what have you.

Furthermore, the Europeans' horizon has shrunk a lot. The introduction to this discussion expressed the thought we Europeans should influence both superpowers so that there on't be a super-arms race qualitative plus quantitative, or only qualitative in kind. Good. that is correct. Yet the Europeans have to realize that at the same time a tremendous power competition is going on between the two world powers in parts of the world we are more and more closing our eyes to.

That applies, e.g., to Afghanistan and to the Vietnamese conquest of Kampuchea, economically, politically and militarily supported by Moscow. We are closing our eyes to that and are saying it is not our business.

Someone in the Kremlin or in the White House has to make it his own business. but we think it's a nuisance and won't have anything to do with it.

We can of course adopt the standpoint--as the Japanese are doing, at least have been doing up to now--we don't want to concern ourselves with it, let the big ones carry the ball. Only we must then not be astonished when the big ones are resorting to methods we disapprove of and which lead among us to further alienation and further retreat into our own spiritual provincialism.

[Question] How then can one create the European economic region you are talking about? And what actually is the meaning of European industrial cooperation? What should give one the confidence that a European industrial policy might be more successful than a European agricultural policy?

[Christians] That is bold, indeed.

[Thorn] I agree with Mr Lorenz: The technological possibilities are in place, we only have to make use of them. We still have our chance. Yet from the vantage point of the ten governments, it should not always be up to the "others" to fight against protectionism. All ten have to go and say: Now we are creating the European market.

It does not work when everybody says Europe is for tomorrow, someone else must open his door for me, but I'll open mine not until a day after tomorrow--meanwhile I can still do some business. If at all, it must all be at the same time. All have to throw open their hesses gardees, their preservations, which they thus far held as national products--the French railroads, the German mails, the other things. The Esprit project indicates that at least big industry takes part in basic research.

[Lorenz] The point is to bring research together in communication and information techniques and in microelectronics. But that is confined to research away from the market, and that itself is a point of criticism.

[Thorn] But because it is remote from the market, it works.

[Christians] An alibi then?

[Thorn] If people in the Ruhr area, on the Saar or in Lorraine are to give up jobs so that others can keep working in the same branch in Liege or Luxembourg, one demands, in a slightly improved customs union, much solidarity from people who, on the other hand, still have not found the sort of consensus to say: We have common values we want to defend in concert.

[von Thadden] Today's EC is less than the German Customs Union 150 years ago. That also relied on a basic political hope that it would surmount the conomic difficulties and bottlenecks. For the promoters of the Customs Union, Germany was more than a concept in economic geography.

[Thorn] It cannot be expected--as Monet expected it of the Coal and Steel Community--that the EC would further develop automatically. There is one moment when one has to get up and say how things are going to go on. And one cannot assume in this that one country would give up 100,000 jobs for the benefit of its neighbor.

[Question] The key is of course the unemployment. There is this mistaken belief one could improve the situation by holding on to a few jobs oneself. Actually one first should have to get through the thicket to get to the meadow behind it. But that is the way everyone shies away from.

[Schmidt] You can also say that the other way around. As long as the world was marked by an experience of upswing, a process of steady growth with slight decreases and accelerations, and everyone believed in it, the Colbertism of all French ENA pupils and the free trade spirit of all Germans could certainly be put more or less under one and the same roof. Elements of national consciousness, 200 to 150 years old in the case of France and 130 or 150 at least in the case of the Germans, are becoming prominent there of course, free trade being reduced in Germany all along.

Furthermore, in comparing the three large economic regions, America, Japan/Southeast Asia, and Europe, Europe turns out to be the one economic region that experienced not only a deep interruption of growth--recession is a far too kind and erroneous word--but where also the desirability of growth was deeply shaken. That is the case not only at GAL, the young people and the Young Socialists; meanwhile even the heads of corporations and governments, all the way to conservative ministers of the interior, are convinced that thus far no adequate allowance has been made for the protection of the natural environment. When it is proven once again every week that the famous German woods are sick up to 33 percent, it is not that wrong either but has tremendous effects on what people think.

[Dahrendorf] I find that group of some 20 important industrialists of various European countries interesting whom Per Gyllenhammer of Volvo has tried to get together.

That group got together and said: There are indeed European infrastructure measures our governments are not tackling in which we, however, are interested. Let's see whether we can't get something started there.

[Schmidt] A speedway from Stockholm to Naples, something like that?

[Dahrendorf] No, but from Goeteborg to Oslo. This addresses a European telephone system. The tunnel under the channel also is part of it, and four or five other projects. Maybe one or two things will come of it. I am, on the other hand, of the opinion that anything done about the customs union and the common market in the years ahead is going to be purely defensive. I see no forward initiative there at all, not in Brussels, not in Geneva, or anywhere else. That is a deplorable story.

[Schmidt] I do not believe Europe can really get started by the industry, even if one should definitely be positive about such initiatives and encourage them. Nor do I believe it can come from the Brussels Commission because it is exposed to the pressure from all ten. It can only happen if two or three governments seize joint initiatives.

That was the case between two governments in the 1970's. Some of the others we pulled along, some of them went into isolation, such as in the European currency system. The two governments can only be the French and the German.

[Dahrendorf] Quite so.

[Schmidt] Italy is notorious for having no government, England is notorious for having a government that finds the Atlantic more narrow than the channel, regardless of whether it is a labour or a conservative government, so that in fact only the French and the Germans are left.

The appeal must come from the Elysee in Paris and from the chancellery in Bonn. These two have to stir things up. If they cannot do it or are not apt to do it, don't want to do it or don't see the point, then, I am afraid, what Ralf Dahrendorf has said will still be all too kind--the years ahead would be purely defensive, at best a defense of what had been accomplished. I would rather predict that the common market is going to be destroyed still more than it has been in the course of the last 10 years.

[Thorn] I am afraid Helmut Schmidt is right. That is why I do not agree with Ralf Dahrendorf: We cannot simply wait in the defensive, lest we want to perish in stages. We now must make progress. We can't stay where we are. Either we fall back or we create something new.

Where it is to come from? I believe it can come only from where it has always come. Let's be honest: even the Schuman plan could come only from France and Germany. That is the pedestal that holds up the whole.

One harbors illusions when one thinks: all that's missing is a Messina, an appeal, then the 10 chiefs of government are sitting around the table--who, mind you, are all so very different and share so little.

That won't work. All that has to be prepared for months--as at the time of the currency system--and only then can it be launched. That also was the case with Messina. The Messina story was well written but, evidently, poorly read. There also was a plan that had been worked on for a long time. After 5 days of Messina a brief communique was issued, and then they worked on it for 14 months until we had worked out the deal. And that's the way it has to be this time too.

Very little comes out of the European Council sessions--every 6 months one flag comes down and another one is hoisted. Those at the focal point, France and Germany-- perhaps aided by the Commission when it is a matter of supplying ideas or working things out--should have to say: This we regard as a priority and so we are working on it. Then you can run around with it and sell the things. What you cannot say is: next Monday, 0011 hours, 1,000 journalists, 10 chiefs of government--then things will fly! Nothing will fly then at all.

[von Thadden] It is not enough for the statesmen to take an initiative. Almost all the young blood among French politicians, those who are going to be responsible for public life, the opinion molders in France are still so biased toward their nationhood, we can hardly get a clear picture of it in Germany.

[Schmidt] And mercantilist in their basic persuasion.

[von Thadden] Precisely, economically as well as spiritually. There exists also a spiritual protectionism. I venture this theory: Even if Mitterand were to be as you would like him to be, and Kohl as well, it would still not be enough to make up for the brake effects coming from the national-protectionist forces. You can't get out of it by talking of the interference factor of England. Continental European bureaucracies also make it hard to maintain hope for Europe. What I observe with anxiety is the increasing discrepancy between talking and doing things.

[Schmidt] All that is quite true. Only the conclusion is what I do not care to subscribe to. That says, pointedly: First you have to seek breadth to demand something from the leaders. But up to the time that they can remodel the inherent spirit of the ENA tradition toward free trade, three more generations will pass. You have to start it and engage in it, but to wait for results one arrives at the year 2084. The initiative, if it is to provide more than a purely defensive operation, has to come from the leaders. You said a moment ago: if we could paint Mitterand the way we like him and Kohl the way we would wish-- How then would one want Mr Mitterand and Mr Kohl?

Fourteen months ago Mr Mitterand gave a speech in the Bundestag that could hardly be called European.

"You Germans had better first put up the glacis, secondly, the territory for seven different armies, and that, thirdly, of course under foreign command, and then, fourthly, you have to station 5,000 nuclear weapons and now still 100 Pershing II to boot. For us French, all that is out of the question, of course." If that top French government attitude were to be further disseminated in France, I would to be sure reach rather pessimistic conclusions.

I believe that the wretched condition of EC, of which we have said just now, partly agreeing, that it could be improved only if Paris and Bonn were to go together, has to be broken up from a very different point which is extraneous to all the treaties thus far, and that is a German-French military cooperation that would not necessarily require an additional treaty. If one wants to provide it with legal forms, one could find them within NATO, in the West European Union treaty, or in the 1963 Franco-German treaty. That to me is *cra posterior*. The primary task could be defined without any treaty fuss around it. As the first step it is conceivable for the French President to announce: "And I am expanding the force de frappe requirement into German territory. The Germans get no say in this; their fingers stay off the security wing and certainly off the trigger. Yet I recognize I have a shared responsibility for Germany because the Germans also assume responsibility for the defense of France, and this along the Elbe." Much more important is what then has to be done next door: putting up French reserve units by making use of French conscription with conventional arms that can be mobilized and led into battle rather rapidly.

The FRG has a very high mobilization rate. It can have 1.3 million men, fully trained soldiers, under arms within a few days. If it did not hide itself for weighty reasons, Germany, after a mobilization, could actually put up 24 divisions in the Central European theater.

Such divisions would be without tanks and conventional vehicles and, mainly, without conventional ammunition. Then a conversion of the German airforce from the dual role at present--nuclear and conventional--to giving purely conventional support to the combat army.

All this makes sense, provided the French are willing to equip in turn six or eight reserve divisions and put a little less money into the nuclear forces but rather invest that money in the conventional French defense capacity. Mitterand, it seems to me, would be amenable to this if one can divert his attention to the historic military tradition of France.

These two armies would suffice for deterring the Russians. If we then still keep some U.S. Pershings, reconnaissance satellites and army units--that need not be 200,000 men, 100,000 or 120,000 or 85,000 would do it, as long as there is a palpable presence--we would obtain a "European identity" in security matters. It would demand of France to take the first large step.

First the Americans would be shocked. They would ask themselves: should we welcome or oppose that? There would be quite a large group in America that would approve opposing it because it would indeed provide Europe with its own identity and capacity. Once we are resolved to do it, however, we would actually not care about what the Americans are thinking about it.

Here we have a field that has virtually not been plowed anymore since 1954, mentally and politically prepared later by two chiefs of state and government, the president and the federal chancellor at the time, and which they would have gotten into if Giscard had been reelected in 1981. Public opinion in France and in Germany was overwhelmingly for it if the chiefs were going to do it. In France you would get a consensus of at least 66 percent for it, if not 70, in Germany, of 75 if not 80 percent.

[Question] What has been said thus far brings out an economic and a political dilemma. Economically, the question arises whether in this kind of Europe, with its history and national difficulties, a common market can altogether be constructed. But politically a situation has arisen that calls for a thorough-going community of European destiny. So, if we don't manage it economically, because we can only theoretically but not practically construct a common market, must we then not pursue the political matters more and eventually bridle a solution, as Helmut Schmidt says, from the security policy end?

[Dahrendorf] My own conclusions are much like those of Helmut Schmidt. Only I believe the interest spheres between Germany and France in other respects cannot simply be put aside by entering a third area.

I have thought for some time what we actually need between Germany and France comes down to three things.

The first thing is a way of settling what is still left behind in paid-for agrarian policy. Some things have been done that will facilitate others in the future, even if it is of course expensive from the German point of view. The renationalization of the agrarian policy, receiving legitimacy in Europe, is a not insignificant step. The second thing is the French payment situation, i.e. the currency issue. Are there partners for settling that in France, or in Germany? What can be done? The fact that 14 percent of our exports and 13 percent of our imports are transacted with France, making France clearly our top trade partner, is crucial, isn't it?

[Schmidt] With a hefty bilateral trade deficit for the French.

[Dahrendorf] That is precisely why I think that the greatest threat for the immediate future is going to come out of the trade area, for which reason this has to be the second part of the three-part pact between Germany and France.

The third part then is the political-military field.

[Schmidt] The second part definitely belongs to it. Here the opportunity could arise, without necessarily advertising it as German economic finance aid to France, to put in the nuclear might from the French side and the capital and finance capacity, from the German; and both would have to put in their conventional defense.

Of course, strengthening EWS [European Monetary System] would call for forming some pool for a part of the reserves. To make a rough guess, I would say, to give an idea of the magnitude: 30 billion deutsche mark, 70 or 60 billion francs, 7 or 8 billion guilders, and I don't know exactly how many trillion lire. That would also provide the opportunity for helping the French a little. One has to meet them half-way of course in the field of jointly opposing the noxious effects the U.S. high interest policy has on European investment activity. And that means --horribile dictu--the French should have to reduce some of their capital transaction controls and we have to introduce some jointly for all of Europe, at least for a certain time. If Reagan reduces his deficit, one can cancel that again too. Economic policy, Mr Bucerius, will get disciplined from that end, if the system stands up, not vice versa. If you wait for economic policy to get harmonized, chances are you get to the cemetery first--and even then nothing will get harmonized yet.

[Christians] The wish of all exporters and importers of course is to have a safe basis for their calculations and not to have to make their bills dependent on what the floating rate happens to be. What made Bretton Woods function? It functioned, after being introduced in 1944, because the whole world had dollar debts, even the USSR, all did. What then rated as the currency in the world was the dollar. Still today we find in regions that are not so very a jour that the dollar is handled like pure gold. The protracted Vietnam War late in the 1960's undermined that currency, of course. Only the belief the dollar was still strong as a world currency has helped the dollar so it did not weaken on the market. Even in Russia, late in the 1960's and the early 1970's, when I would go there regularly for negotiations, my most interesting impression was that all satellite states, whose authoritative currency was the ruble, reckoned with the dollar.

After Nixon announced to the world on 15 August 1971 that he canceled the convertibility of the dollar, the U.S. currency collapsed in 1983. Then the dollar would float, and stability was gone, until Helmut Schmidt and Giscard d'Estaing announced at the end of the 1970's: Now we are creating the EWS with the European ecu currency, based on it we shall shape policy and use that then also for Europe.

And it would indeed have been much tougher for German and French exporters in recent years, especially last year, without EWS. EWS has not met all expectations but it accomplished much more than many critics thought possible at that time.

Its role, a reserve currency second-hand, as it were, enforces national discipline, and does so more than what a national policy can enforce. That we have also told the Japanese: If you accept this role--and we encourage you to do so--then domestic and foreign trade policy becomes subject to laws of its own which one has to experience. We did experience them. Today the Bundesbank is converted; it is not enthusiastic about it but it accepts that role.

We have achieved some decoupling from the dollar in recent months. We have an interest differential of 4 to 5 percentage points. Except for Switzerland, we now have the lowest interest level in the world. That is due primarily to the stabilization policy of the Bundesbank and the federal government, but it also is a success of EWS.

[Schmidt] I think opposite the U.S. dollar there is not likely to be an adequate counterweight in the next 10 or 15 years, unless we set up a triangular system: dollar--ecu--yen. From that a cooperative world currency system can develop, and this without any treaties being required for it. That could be accomplished even by three reasonable central bank presidents or three sensible finance ministers and their central bank presidents. That would be possible once the Japanese are ready to open up their capital market and let their yen become a reserve currency and so forth, all that which should accompany their current economic significance. It however also presupposes that the deutsche mark, which after all is expressive only of a 60-million national economy, is turned into ecu, and that ecu becomes a reserve currency. If the deutsche mark remains stuck, a permanent decoupling of German real interests from the American is unlikely--I see that as you do, rather gratifying right now. Besides, that is not enough. We have in Germany today a real interest on the long stick of nearly 5 percent, which has the consequence, Mr Christians, that the corporations which you serve as board chairman have meanwhile actually become money market institutes that are engaged in production and sales on the side.

Look at the Siemens balance sheet--which will be published at the latest in 8 weeks, when all can look at it--: How many billions of liquid reserves are there that are invested in the money market and supply from the money market interests a rather considerable, indeed decisive, contribution to the corporation's profit and loss account, more, possibly, than all its own production and sales. Things are much like it at Daimler-Benz and not very different, I suppose, at Philips--I don't know it but would not be surprised. They all have become money market institutes. The impetus for developing new products and beating the Japanese in new technological sectors cannot be strong enough as long as I can make so much money through these enormous interests on the money market.

[Christians] What Helmut Schmidt is talking about here actually leads to another discussion. All I want to say about it is this: The ecu still is only an artificial computation unit. It was created by decree, and if it was strong, then mainly because the deutsche mark played a part. In ecu loans it is found that ecu is wanted in soft currency countries because the investors there appreciate a hard currency share--deutsche mark and whatever else.

When EWS was created, every member state had to put a certain amount from its currency reserves as a contribution into the common coffer. We were terribly sorry about that because with our deutsche mark we were uppermost on top.

[Schmidt] The common coffer has not been pillaged, after all. I gained the political realization from it that we are about to help the French, via history and political insight; the only way it works is working together. If necessary, we shall have to help the French in their devaluation by a revalorization, equalizing matters thereby to some extent. I would agree at once if we accepted the system.

[Christians] At this time, almost three fourths of all foreign currency reserves in the banks of issue are kept in dollars, 10 to 11 percent in deutsche mark, 3 to 4 percent in yen. If we bring it about and put the international currency structure more into balance in that more international foreign exchange reserves also are kept in other hard currencies--more in yen, hopefully also in pounds, furthermore in deutsche mark and Swiss francs--taking just these four--then we have what you want to achieve with a firm currency system.

[Question] We had actually wanted to talk about Europe.

[Schmidt] But this is Europe. These are the key subjects in Europe.

[Question] Does EWS enforce a certain automatism?

[Christians] An enforced discipline.

[Schmidt] Because it is awkward to devalue. When you have a free floating franc, the French government cannot be blamed for its losing 7 pfennig or 7 centimes within one week. But when the French government on a Friday at 1300 hours has to call everyone in Europe inviting them all for an emergency meeting at 0900 hours on Saturday and is told "What, again? No, we can't!" so that it must call again, that is fairly awkward. And then they all come after all on Saturday afternoon and all know they have to be through by Monday morning. Then the franc is devaluated or the value of the deutsche mark is raised--or both--and then the French government has to brave public opinion and defend itself: once again a devaluation of the franc, once again an inflationary thrust, once again inflation imported by France. Then the labor unions raise hell, the communist, the Christian, the socialist. Having to launch a devaluation formula by consensus among nine countries and then defending it before one's own public opinion is awkward. Therefore the discipline! Economic discipline in France today, greater than 2 years ago, would never have come about, had the formal franc devaluation not been enforced.

[Question] We have so far somewhat neglected to talk about our having in Europe, in 10 years, not 10 but probably 12 full members of the European Community, unless one of them again deserts the flag.

In the course of the 1980's and the early 1990's, six to eight member states of the Community are likely to be interested less in external security than, exclusively, in economic security. How does one accomplish more self-reliance in Europe?

[Schmidt] Great self-reliance is political in nature and can function only if the foundation of that community recovers or, at least, is not destroyed. An economic recovery of this affiliation must remain the pacemaker for a community of twelve. Else we would have too many members no longer interested in their membership nor, thereby, in an attempted foreign policy configuration of Europe.

EPZ--the frightful acronym for "European Political Collaboration" in foreign policy--has not yet been mentioned. The deeper sense of expanding into twelve members was not, however, an economic fascination with a membership of Greece, Spain and Portugal, but was a political obligation. And that makes sense only if one gets for the first time in modern history the largest contiguous European territory and provides it with a nearly unanimous basic foreign policy intent. For that reason, security components are likely to put parts of the EC enormously ahead, even with repercussions for others. The economic alliance, however, remains the centerpiece; without it, nothing else can be done, at least not as a community.

[Question] For the long run, there can be no doubt about that at all. Yet there is a widespread sense that one is not making any headway because in Brussels, or wherever else one is talking together, one gets bogged down in details as one always only looks at the immediate consequences for, say, a steel plant or some farmers. How priorities are set in Europe one has just been able to see: All of a sudden 2 billion are to be allocated to help the dairy farmers, while for many other important projects it would be completely inconceivable to put such a large sum together that quickly. Indeed, one is going to be able to make headway again only by setting some great political goals, for instance in the defense area, supplementing them by things "to touch," such as some train taking 2 and 1/2 hours from Frankfurt to Paris.

One must explicitly agree with what Helmut Schmidt has said about security components. Only there are many states in the EC that do not care about the security component.

[Schmidt] That is quite so. Yet the economic recovery of EC will be possible only, for the ten or the twelve--and if it functions for the twelve possibly even for thirteen, because then Norway will want to join--if the whole business gets a new impetus. This new impetus must come in the defense field from France and Germany and in the finance and currency policy field also from France and Germany. If something startling then comes along with it, something tangible like an express train or channel tunnel, that the man in the street can touch and use, all the better!

[Lorenz] It should be possible to set up an open European communications and informations network--and I am under the impression all postal administrations in Europe see that too. That would be an infrastructure we are familiar with from the speedway network. One should only see to it that each can talk with everybody else and exchange data, texts and pictures. Such a European communications network would lead to the consequence that an intelligent European socket gets installed in every office, every household, that any appropriate device can be plugged in--regardless of where the device was produced--so that one can then communicate and enter into dialogue with any other subscriber via the open network. For one thing, it would give rise to a truly European market, because everything would be compatible. And then it would make for extensive investments. Thirdly, it would intensify competition as one can get with any gadget that fits into the socket, regardless of its manufacturer, in touch with any other gadget. Fourthly, making it prevail is a given, only that the target has to be assigned, perhaps by Mr Mitterand and Mr Kohl. My impression is the postal administrations would work it out among themselves. With it, and this is the fifth point, the infrastructure in the various countries may certainly follow national lines, the networks only must be compatible.

[Thorn] That is exactly what has to be done, and we want to do it.

I only am not quite as optimistic as you are. I am afraid of national administrations--and that is not an easy matter--when the point is that no longer will each do something for himself but all are supposed to do things together, not with European money, to be sure, but under one European hat.

And still another point: There was talk here about "tinkering." That is more important than one may think. Helmut Schmidt said to me 3 or 4 years ago: "Gaston, 20 years ago I wouldn't have thought we could survive such a crisis among the twelve of us at all."

Right now, especially because of the joblessness, protectionism and nationalism are written in big letters. And then we have also taken a step in our agrarian reform. Too bad it was not done 10 years ago.

Now one has to look for new ways. I believe the French are about to understand that a reliance can come only via security. And it can be seen that a community of common destiny can come about only if we are of the opinion that Germans, Luxembourgers, Italians have something worth defending in common.

[Question] This security policy cooperation between Germany and France, as Helmut Schmidt has outlined it, is that actually attractive to the others? And is it altogether feasible? Only a few weeks ago Mitterand announced in the Hague the French nuclear bombs were only for France and its own deterrence. It can also be noticed that the French military are putting more and more money into their nuclear weapons while they are neglecting the conventional armed forces--so that precisely that which Helmut Schmidt has asked for is not happening. Nor is France willing to rejoin the military integration of NATO while the FRG is not willing to quit it.

The French have not fully thought out their military strategy. They must be helped to become dubious about it.

[Schmidt] Their military strategy relies on the idea France gets defended on the Elbe, if possible by the Germans even if by an admixture of some French elements. But when it comes up to the Rhine, we shall preserve us from any coincidence of war by the force de frappe. That truly means not having thought things through.

The French, wanting to play a world role, cannot play that role in isolation, as a Grand Nation. They know that. They can play that only as the top head of a Franco-German team which truly is the top head of the entire European Community.

That leadership role would not even be artificial: For one thing, the French are an autonomous nuclear world power. That is a significant insignia and also holds special rank vis-a-vis the Soviet Union. Secondly, they are holding a permanent seat, with veto right, on the UN Security Council. Thirdly, they are a guaranty power for Berlin--we are the recipients of that guaranty. Fourthly, they are one of the victorious powers of Potsdam. Fifth, they are not a divided nation with any difficulties about its national identity. In many ways they surpass the Germans in rank. In one point only they are below us in that there is the economic and finance economic, monetary and currency policy strength of the FRG.

That will all remain that way for the foreseeable future. Moreover, if Europe actually is to be defended, it will all take place on German soil, so they would have to move onto German soil. And that also means that in the case of operations some French troops also would come under German supreme command.

The decisive lure, however, lies in the possibility to play the role of a world power, even if it is shared with the Germans, the Italians, the Benelux countries and others playing a role in EC. But you also have got to see: if Europe were to choose a president, these countries would choose the French President, provided he is half-way reasonable, they would not choose one who sits in the Quirinal or the Bonn Chancellery.

By the way, I cannot really believe that the Franco-German talks about defense matters thus far eventually failed because the French do not want to get into the integrated military machinery of NATO and the Germans do not want out or do not find their way out. I rather believe talks have gone to some depth.

Joint maneuvers have taken place and caused no difficulties at all. Late in the 1960's and early in the 1970's, agreement was reaching about staging and combat areas for French troops on the one side and for troops under NATO, on the other; there was not much fuss about it, the French public did not even notice, nor did the German.

[Question] And it worked without a guaranty.

[Schmidt] I am no more doubtful in this concerning the French than concerning any other alliance partners.

Let me add one footnote: Right now, France mistrusts the "restless Germans," of course, because of the peace movement in Germany, the SPD and its change in position on the deployment of U.S. missiles, and the friendly tones between East Berlin and Bonn that had not been anticipated quite like that after the change of government in Bonn. They are asking themselves in Paris whether a nation like that of the Germans, so damaged emotionally and in its identity, can altogether be reliable, and things like that. That can be partly straightened out by talking about it. But one cannot reinforce the confidence in the essential core unless the Germans truly open up to such a joint Franco-German leadership role--and my mentioning the French here first is on purpose--that would de facto come down, as the French themselves know well enough, to letting the Germans strongly affect European developments. Franco-German defense cooperation could certainly become an important tool to quiet down the French soul about the German soul.

A political mission is what has been lacking for 3 years. It had been envisaged, one had gotten set for it. Under Mitterand it was again contemplated, but ultimately there was not enough of a political impetus.

Important in this only is that the French take the psychological step in overcoming themselves, by which they would also buy the Germans, in saying: "Our force de frappe is meant not only for protecting the French but also the German sanctuary." What that means concretely one may leave open for the time being.

[Question] The defense community is imaginably not quite so popular among the FRG population as Helmut Schmidt assumes. The man in the street may be telling himself: We already have the Americans here with their missiles and can do nothing about it. And now we still get the French for pushing buttons we have no influence on. So our country is under double jeopardy. Moreover, the French do nothing in the conventional line. We are to become the cannon fodder, so to speak, and they are firing from the back missiles into our country. What does it profit us?

[Schmidt] Such reactions I might appreciate. What matters is, however, that the French make soldiers available and cannot say then the Germans should defend themselves on their own.

[Question] According to recent data 50 percent of the French defense budget already goes to the force de frappe.

[Schmidt] That figure shocked me too. If it is correct, it is all the more urgent to change that.

[Question] And by the mid-1990's the hitting power of the force de frappe is meant to be raised tenfold.

[Schmidt] The number of warheads. That is also going to trigger the question in France in the next 10 years how much that is actually worth. After all, one cannot intervene in Chad or Lebanon with 1,000 French warheads.

[Question] Mitterand announces at any conceivable opportunity that the French nuclear might is never kept in readiness for other states.

[Schmidt] It is immensely difficult to contend against that posture. More so than if you had to make a European currency system prevail in opposition to all bankers and central bank presidents.

[Christians] The French, after all, are still settled with the trauma of being declared victors who have not won the war. That makes reservations and a certain mistrust of us Germans understandable. At times you can hear it said abroad: "Our national task must be to protect us from the Germans beginning to flirt again with the East." Therefore, for our own good and for the good of Europe, what is needed is a supra-national European tie-in of Germany.

[von Thadden] If Germany encounters so much mistrust, it is not only because of the prevailing uncertainty over the division of Germany, but also because of the well known long-lasting inclinations of the Germans for separate ways. If you were to ask the French why they distrust us but not the Austrians--Austria, after all, has also been neutralized--they are likely to say: "Because Austria is more strongly rooted in an overall European tradition, so there one does not have the sense that country could take a separate path, detrimental to the family of European nations."

I should think we ought to remember that too in wooing the French, in wishing to establish a larger community.

[Question] Is it a coincidence that we have not talked about what everybody else is talking about who is giving thought to how Europe could also be given a security policy dimension: about drawing the defense ministers into the EPZ or about extending the West European Union into a European defense core, perhaps a second pillar within the Atlantic Alliance?

[Schmidt] If one is to think about that institutionally, the French will make that happen--they are always thinking more institutionally than we; we over-organize everything. We should try to stop that. EPZ could be fertilized by my recommendations, at least.

Later it will become clear that EPZ cannot confine itself of course to matters within the territory of NATO. Lebanon is outside of it, Angola is outside, Nicaragua, El Salvador, Grenada, the Falklands, Afghanistan, Kampuchea, South Yemen, Ethiopia--and what have you. Then it will turn out that there also are cases like Chad to which one has to commit oneself, not only verbally but by means of soldiers--and then the Germans will say: count us out. There I then envisage the actual problem because no real solution can be seen for it beforehand. But those are problems that have to be settled when they arise. You must not want to settle everything 10 years ahead of time.

[Question] Is it actually inconceivable for all time not to take part in actions outside of Central Europe? Is it not conceivable for Western Europe to gain a security policy profile, for a European rapid deployment force to be put up in which the Bundeswehr takes part, and for us to participate under a European flag or under UN blue helmets instead of hiding--as we have done--behind a somewhat controversial interpretation of the Basic Law?

[Schmidt] That interpretation of the Basic Law has thus far been undertaken by all FRG governments in unison and by now is part of the common ideological verities of all political forces in this country. It is going to be difficult. Emotional forces in this country are going to be mainly against it, far into the ranks of the CDU.

[Becker] If one goes back and traces the course taken by the Genscher-Colombo initiative, not much appreciated by the federal chancellor at the time, one finds it actually landed at precisely the point Helmut Schmidt had anticipated from the start. That initiative very cautiously introduced a security policy component, but essentially by non-members of the West European Union. Would WEU then not be a better platform for it?

The point to be made here is, probably, that there is a specific West European security interest, but qua community members, not qua European Community, the pursuit of which need not absolutely be expressed by having a troop contingent of its own.

[Dahrendorf] That is correct.

[Becker] WEU in this phase in no way competes with NATO; it is an attempt to find a platform for debating a security policy in an orderly way. This, if possible, by calling in experts, which normally the defense ministers are considered to be--not always for good reasons.

In this phase, however, the effort does not collide at all with the absolutely necessary Franco-German merger which one hardly likes to reiterate again. These are two different things. And in the long run something will come of it, provided the right people are sitting in the Elysee Palace and at Adenauerallee. That which Helmut Schmidt has presented here, probably not yet in this decade. But even that are only still 6 years. That is not all that long if you remember how long great projects have had to take.

In any event, in Western Europe a tendency can be ascertained that does not want to leave the security policy idea solely to American premeditation.

What now matters will be which project goes faster, the Franco-German, which would work with hardware, or WEU, working only with software. If the Germans and French truly would agree on something in excess of what we have today, a push and pull would come from that.

[Question] In the course of time it will then become apparent to what extent the foreign ministers assembled there are able, together with their defense ministers, above and beyond merely debating the security policy situation, to commission study groups with an analysis, which could then be the European pillar within the Atlantic Alliance.

On the cue for foreign policy self-reliance. In what does that express itself? In what should it have to express itself? In her introduction, Countess Doenhoff spoke of Europe's task of exercising a mitigating effect on both super-powers.

Helmut Schmidt said a while ago that Europe had lost its foreign policy action capability since 1978/1979. What should one have to put into the program today? What should the European governments have to do?

[Schmidt] Even in giving it another thought I cannot find anything better than what I have already said. It would be a case of megalomania for the Europeans to meddle in the Middle East, in Afghanistan, in Central America. They first have to put their own house in order, and that is in Europe.

Foreign policy self-reliance requires that Europe as a whole can give something others would like to have, can promise or refuse something, can do something others don't like or avoid doing something others would wish. That is what self-reliance depends on. As long as none of that is there, all the talk of Europe's self-reliance is just talk of intellectuals.

[Question] A proper goal projection is not a description of the condition, but of the desirable condition.

[Schmidt] Self-reliance presupposes that one can give something. Right now, Europe as a whole can give nothing; it can neither promise nor deliver anything. It could not even in concert supply the Arab countries with enough arms against Iran.

[Question] It does not have the will for it.

[Bucerius] The United States probably does not either.

[Schmidt] We are talking about Europe's self-reliance. It would be no feat to help the Iraqis so there be no Iranian victory, which this discussion voiced fear about. It would be no feat, but there is not enough strength for it. In 1983, there was just enough strength for holding two meetings in the first half and one meeting in the second half of the European Council, with the regularity of church festivals, and argue there, without results, about farm compensation.

[Question] Does the president of the Commission then see chances for change?

[Thorn] I did not want to break into the security debate a while ago for various reasons. I assume not only Mitterand and Kohl, but other chiefs of state in EC as well, are convinced we are not getting back to 1954, yet that the defense problem is no longer taboo and that new dimensions must be opened up. Then, when we think of ourselves as a community of common destiny, one must also talk about defense problems. I would like it best if that were an EPZ of the Community. If Denmark, Ireland and Greece are blocking that, it is up to WEU. And then comes the proposal from Helmut Schmidt. Something can be accomplished here between France and Germany. Agreed. But I think it unrealistic to conceive of it as a sort of board of directors. That is possible with WEU, not with the treaty.

[Question] There is lot of talk right now about Europe a deux vitesses--a two-speed Europe.

[Schmidt] No one has reasoned that out as yet.

[Question] Now as to the cue of the "two speeds," doesn't the basic idea make sense that, if some member states are ready for it and want to go ahead in some field, like Helmut Schmidt and Giscard d'Estaing perhaps with EWS, it should not be subjected to the veto of those who are not willing?

[Schmidt] That is what is de facto done in the field of Franco-German military collaboration and in the field of EWS. De facto. As soon as you start headlining it by "board of directors" or by Europe a deux vitesses, it has had it.

[Thorn] And EWS costs nothing. But as soon as you decide on any concrete policy step that does cost something, the question is, "Who pays for it?" And then it keeps going: Who pays? Who coordinates? Which officials?

[Question] Wouldn't there be more things that could be treated like that? EWS is one example. We have the airbus, we have still some other projects, Integration perhaps can come later.

[Thorn] We should think about how that could be done once more. Thus far we never arrived at a result. Within the treaty framework, in any case, it won't work, only outside of it and this, in point, in twos, in threes.

[Question] Does that mean today that one lets these institutions be institutions and does everything progressive, pragmatically, alongside the institutions?

[Schmidt] Yes.

[Question] Institutions result when something functions, not vice versa. We haven't even talked about abolishing unanimity.

[Thorn] That, unfortunately, is still relevant.

[Schmidt] You cannot decide by a majority, for example, how much money someone has to pay that majority. Somewhere that has limits.

[Thorn] I think one could say for every summit: Here are the 10 points to be considered for the next 3 months. For such and such points unanimity is required. The others are voted in through a majority. About essential points there must be unanimity. The question only is whether the herring catch before the 15th or up to the 20th is of any vital interest to Luxembourg. Such majority decisions would bring back the dynamics of success. Right now, almost everything is unanimously resolved, and that kills the Community.

[Question] Nothing has yet been said about the European Parliament which, after all, passed a draft treaty for a political union. Does that hold any promise?

[Thorn] You have to grant the European Parliament that it at least tackled the effort. It was not that easy to enforce that initiative among fairly diverse party groups. But there we risk what has just been referred to: One says "yes, a very fine idea," and what he thinks is: someone else will vote against it.

All the parliaments and governments must now come out clearly and say whether they affirm, reject or want to amend this idea, this European treaty. It is at least a test question: do they want to go on, do they want to do something?

I never forget what Pompidou said in 1972: "'European Union'" -What do you mean by that? I have no idea. We know integration must make headway. If I say 'European Federation,' some raise hell. If I say 'European Confederation,' others do. So we use the name 'European Union.' What is to be the point in 1980 of this 'European Union' must be decided by those who are in office when the time comes in 1980."

That was not so dumb. So we also now say: We want to go ahead, we want a "European Union." Comes the time, it is up to those who are in office to decide how far they are willing to go.

That is the problem 30 years after setting up the European Community. Everyone talks about it, everyone means something different. Some want to build a barn, some, a cathedral. We had better know what we actually want to build.

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CSO: 3620/310

MOSCOW-ORIENTED CP ORGAN: KIVISTO MIXING INTO CP MATTER

Helsinki TL-DONANTAJA in Finnish 10 Apr 84 p 2

[Editorial: "Kivisto's Threat"]

[Text] SKDL [Finnish People's Democratic League] chairman Kalevi Kivisto has threatened to found a new party on the basis of the SKDL if the conservative hard line does not achieve its objective at the SKP spring congress.

Many people may be wondering what SKP affairs are really the business of the SKDL chairman and why Kivisto repeatedly meddles in SKP internal affairs in a way that is at odds with the most elementary organizational standards of a cooperative organization.

Kivisto's threat graphically illustrates how far this party-oriented development has progressed in the SKP. Kivisto is undisguisedly meddling in one member of the SKDL community's internal affairs and is threatening to destroy the very nature of SKDL cooperation unless things develop in the direction he wants them to.

While there is in Kivisto's statement first of all the question of his desire to influence the internal development of the SKP, at the same time the facts indicate that there are among SKDL leaders those who are inclined toward dissolving democratic and leftist forces if need be, even if it has to be done through a new party created on the basis of the SKDL.

It is high time for SKP leaders to realize that a serious situation has arisen in the SKDL and to instruct Communists serving in the administrative organs of the SKDL to strengthen the quality of the league's cooperation with the democratic forces. All the same, the league's future development will continue to depend largely on Communist actions within the SKDL.

11,466

CSO: 3617/148

STALINIST CP ORGAN DECRIES INVOLVEMENT WITH EC

Helsinki TIEDONANTAJA in Finnish 11 Apr 84 p 2

[Editorial: "The EEC, EFTA and Finland"]

[Text] When the agreement between Finland and the EEC was signed in 1973, the defenders of the agreement assured us that the agreement did not in practice commit Finland to any broader relations stipulated in the agreement with the EEC.

Representatives of the Finnish Government, nevertheless, at the beginning of this week participated in the EEC and EFTA countries' first joint ministerial level conference. A proclamation approved at the conference pledges conference participants to cooperation that goes beyond the framework of trade policy and customs concerns. In the proclamation they among other things speak of expanding connections involving economic and foreign exchange policy among the EEC and EFTA countries.

We must bear in mind that the EEC is a closed alliance, in whose activities more emphasis than before has been laid on political issues. The EEC is one of imperialism's central agencies in the fight against socialism, the working class and national liberation forces.

EEC administrative organs endow EFTA connections with political significance and content. This political emphasis was evident at the EEC-EFTA conference in the fact that foreign affairs ministers headed the delegations from the EEC countries.

Finland's participation in the conference and the proclamation it endorsed give rise to many questions. Was its participation really necessary, when we consider the fact that Finland is not even a full member of the EFTA? Is such a trend in our trade policy in harmony with Finland's foreign policy line, based on the Friendship, Cooperation and Mutual Assistance Pact? Is approval of the EEC-EFTA proclamation in keeping with Finland's efforts to develop general European economic cooperation on the basis of the CSCE resolutions such that no country or group of countries will be discriminated against?

11,466

CSO: 3617/148

CP CHAIRMAN REJECTS LIKELIHOOD OF NEW POPULAR FRONT COALITION

Helsinki UUSI SUOMI in Finnish 15 Apr 84 p 7

[Text] Finnish Communist Party (SKP) chairman Jouko Kajanoja does not believe in the possibility of a popular front government. Speaking at a party Central Committee meeting, Kajanoja felt that over the years the reasons for this government coalition have disintegrated. The SKDL's [Finnish People's Democratic League] possible return to a position of responsibility in the government was raised last week through a newspaper interview with Prime Minister Kalevi Sorsa in which Sorsa noted that a government platform a government coalition and a list of ministers could be considered after the municipal elections.

They will prepare for the party's May congress at the SKP Central Committee meeting in Helsinki. The real decisions will be made today. In the so-called press issue that is tearing the party apart, the basic proposal is the press committee's unanimous position in favor of the founding of a new party organ. Connected with this are also attempts to later merge the Stalinist TIEDONANTAJA with the common party organ. In different contexts the Stalinists have demonstrated that they will not give up TIEDONANTAJA unless they can at the same time settle the differences that exist over the party political line.

In his wide-ranging speech, chairman Kajanoja estimated that the capitalist system was in a more profound crisis than before. As a remedy, he offered socialism and the fact that "the whole world must be changed."

The fact that SKDL first secretary Jorma Hentila made an official proposal at the Central Committee meeting that party congress solemnities be replaced by Andrzej Wajda's film, "Danton," also expresses the magnitude of the party's differences.

In defense of his proposal, Hentila mentioned that the problems portrayed in the film have a direct bearing on the SKP's current situation.

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CSO: 3617/148

SUMMARY OF PCF INTERNATIONAL ACTIVITIES DURING FIRST QUARTER

Paris CAHIERS DU COMMUNISME in French Apr 84

[Article: "PCF's International Activities: Meetings, Talks, Solidarity"]

[Text] We are continuing this new section initiated in our January issue. It enables us to provide our readers more complete information on the PCF's international activities.

January

1 January: On a visit to Cuba, Georges Marchais, general secretary of the PCF, met with Fidel Castro, first secretary of the Cuban Communist Party (PCC) Central Committee. Maxime Gremetz, secretary of the PCF Central Committee and member of the PCF political bureau, and Jesus Montane, nonvoting member of the PCC, participated in these talks. A joint statement was adopted. (See CAHIERS DU COMMUNISME February 1984).

6-8 January: A PCF delegation headed by Rene Le Guen, a political bureau member, attended the 7th DKP (German Communist Party) Congress in Nuremburg (FRG).

10 January: On a visit to France, Ibrahim Hakim, foreign minister of the Sahara Arab Democratic Republic, met with Maxime Gremetz at the headquarters of the PCF Central Committee.

13-15 January: Arthur Buchmann, member of the PCF Central Committee, attended the 25th Austrian Communist Party Congress.

20 January: Claude Billard, member of the PCF Central Committee, and Boujemaa Rmili, member of the Tunisian Communist Party Central Committee, participated in a meeting held in the Mutualite Hall to inform the public about recent events in Tunisia.

25-26 January: PCF representatives were members of a French delegation which participated in a Franco-Soviet symposium on disarmament held in Moscow.

26 January: Georges Marchais met with Bethel Seregni, daughter of General Liber Seregni of Uruguay, at PCF Central Committee headquarters.

February

2 February: Salvador Samayoa, member of the politico-diplomatic committee of El Salvador's FDR-FMLN [Revolutionary Democratic Front-Farabundo Marti National Liberation Front] was received at PCF Central Committee headquarters.

4-5 February: Joseph Sanguedolce, member of the PCF Central Committee, attended the 24th Luxembourg Communist Party Congress.

6 February: Talks in Paris between Maxime Gremetz, secretary of the PCF Central Committee, and Simon Sanchez Montero, secretary of the Spanish Communist Party Central Committee. Both men are international affairs officers for their respective central committees.

7 February: Gaston Plissonnier, secretary of the PCF Central Committee and member of the PCF Political Bureau, was decorated with the Order of the October Revolution at the Kremlin in Moscow.

7 February: A delegation composed of Senator Charles Lederman of the PCF and Attornies Daniel Voguet, Regis de Castelnau, and Claude Perroud, delivered a letter to the Iranian Embassy. This letter, signed by several organizations, protested against the repressive measures being taken in Iran.

10 February: Upon learning of the death of Yuriy Andropov, general secretary of the CPSU and chairman of the USSR Supreme Soviet Presidium, the PCF Central Committee addressed a message to the CPSU Central Committee. Georges Marchais made a statement. (See CAHIERS DU COMMUNISME March 1984).

14 February: General Secretary Georges Marchais, Maxime Gremetz, secretary of the PCF Central Committee, Roger Martelli and Jackie Hoffmann, members of the PCF Central Committee, attended Yuriy Andropov's funeral.

17 February: In the name of the PCF Central Committee's secretariat, Georges Marchais sent a letter to CPSU Central Committee's secretariat in connection with the publication in France of the translation of a Soviet book, "The World's Population" (published in the documents section of this issue of the CAHIERS DU COMMUNISME).

20-24 February: Upon invitation of Erich Honecker, general secretary of the German Socialist Unity Party (SED), Georges Marchais visited Berlin, the capital of the GDR, where he had friendly talks with Honecker. The following also participated in these discussions: for the SED: Herman Axen, member of the political bureau and central committee secretary, and Gunther Suber, member of the central committee; for the PCF: Gaston Plissonnier, member of the political bureau and central committee secretary, and Georges Seguy, member of the central committee. A joint statement was adopted. (See CAHIERS DU COMMUNISME April 1984).

21-23 February: Maxime Gremetz spent several days in London, during which time he met with: Helen John, one of the leaders of the women's Greenham Common protest movement; Bishop Bruce Kent, an official of the CND [Campaign for

Nuclear Disarmament]; two members of the Labour Party's executive board; James Pocock, secretary of the Communist Party of Great Britain; and a TUC [Trades Union Congress] delegation.

29 February: In response to an appeal from the PCF, MJCF [Communist Youth Movement of France], and the Committee of Solidarity Against Repression in Iran, several hundred persons marched in a body to the Iranian Embassy after the execution of 10 members of the Tudeh (Communist) Party. (See L'HUMANITE 28 February).

27 February-3 March: A Yemeni Socialist Party delegation headed by Anis Hassan Yahia, central committee secretary, visited France upon invitation of the PCF. (See L'HUMANITE 3 March).

March

1 March: Mario Aguinada, member of the political bureau of the Communist Party of El Salvador and one of the leaders of the Farabundo Marti National Liberation Front (FMLN), was received by Maxime Gremetz at PCF Central Committee headquarters.

5 March: Georges Marchais addressed a message to Jose Luis Massera, Uruguayan communist leader and mathematician, immediately upon learning of his release.

7 March: Talks in Paris between the PCF and Spanish Communist Party (PCE). George Marchais, Maxime Gremetz, and Henri Costa, member of the central committee, represented the PCF. Gerardo Iglesias, party general secretary, and Sanchez Montero represented the PCE. A joint communique was adopted. (See CAHIERS DU COMMUNISME April 1984).

8-10 March: Jacques Denis, member of the PCF Central Committee, and Raymond Schwenke, member of the secretariat of the PCF's Moselle federation, visited West Berlin upon invitation of the Socialist Unity Party of West Berlin.

8 March: Twelve Turkish organizations from Turkish Kurdistan were received at PCF Central Committee headquarters by Maxime Gremetz who issued an appeal for solidarity following this meeting. (See L'HUMANITE 9 March).

8 March: A delegation of South African women, members of the African National Congress, were received at PCF headquarters by Gisele Moreau, secretary of the central committee and member of the political bureau.

10-11 March: Andre Vieuguet, member of the PCF Central Committee, participated in a conference on Korean reunification organized in Paris by the International Committee for the Independent and Peaceful Reunification of Korea (CILRECO).

13 March: On the eighth anniversary of the proclamation of the Sahara Arab Democratic Republic, an appeal by 19 French organizations, including the PCF, was published expressing their anxiety about the aggravation of the conflict in the Western Sahara. (See L'HUMANITE 15 March).

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CS0: 3519/337

RPR, UDF PRESIDENTIAL ASPIRATIONS COLOR PREELECTION STRATEGIES

Paris LIBERATION in French 2 May 84 p 8

[Article by Fabien Roland-Levy: "Opposition Sees Itself Winning in a Romp in 1986, but Its Three Leaders Differ on What Will Follow"]

[Text] The Right is looking far ahead. The European [parliamentary] elections--characterized as "routine elections" by Raymond Barre--are no longer of any interest to anyone but Mrs Simone Veil. The legislative [National Assembly] elections are important, of course, but mainly from a tactical standpoint. On the other hand, the entire Right has its eyes riveted on the "big deal," namely the 1988 presidential elections. Now that we are 4 years away from those elections, the political game currently being played, at least on the Right, can be summarized as follows: what strategy should be adopted to reach--or successfully have one's standard bearer reach--the Elysee?

1. Must the Right Win the European elections?

With the exception of Simone Veil and the four or five candidates who happen to be in the "seesaw position," i.e. between 40th and 50th place, neither Chirac, nor Giscard, nor Barre has any interest in an opposition landslide victory. In fact, none of these three men want to see "Simone" transferred into "Mrs 50 percent" on the evening of 17 June. If only because of the use Francois Mitterrand would be tempted to make of such a situation in the event of an opposition victory in the 1986 legislative elections: a genuine Centrist as prime minister with a president having moved hard to the Center would dramatically upset the plans of the three opposition candidates. Furthermore, if the opposition's joint list of candidates should make a mediocre showing, Barre and especially Giscard, who had both openly supported establishment of separate lists, could readily crow "we told you so," thereby implying that the opposition's electorate should turn against their rival, the mayor of Paris, who was the chief architect of the joint list.

2. Must the Right win either a narrow or substantial victory in the 1986 legislative elections, or even lose that election altogether?

A big victory by the Right in 1986 would actually not be exclusively beneficial to the presidential aspirants. The latter fear the ticklish 2-year period of transition during which the Left would still be in the Elysee while the Right

controlled the Palais Bourbon. With the powers given him by the Constitution in this special case, the president can profitably use this period to demonstrate the inability of the opposition, with its control of the prime ministership and the National Assembly, to remedy the country's situation any better or quicker than the Left.

Giscard, who had set a similar trap for Francois Mitterrand before the 1978 legislative elections, treacherously stated last week on Europe 1 that if the opposition should win in 1986, Jacques Chirac would be just the man to become prime minister. Within the RPR [Rally for the Republic], officials are privately evolving a straightforward scenario. As one senior party official explained, the "cohabitation" [of a Leftist president and Rightist National Assembly] must not last more than a month or two. We must force a showdown by requesting authorization of the Council of Ministers [Cabinet] to govern by executive ordinances or decrees (Article 38 and 13 of the Constitution) on a tabooed subject, namely the denationalizations.

As a shrewd tactician, Jean Lecanuet has at times advanced a boldly imaginative theory: the most convenient eventuality for the opposition in 1986 would be a narrow victory by the Left so that it would continue to sink during the ensuing 2 years and thus lose any chance of returning one of its own to the Elysee in 1988.

Contrariwise, a narrow opposition victory would allow Francois Mitterrand to attempt a centripetal operation by creating a new presidential majority without the communists and without the RPR. The UDF [Union for French Democracy] would then be subjected to centrifugal temptations. If it yielded to those temptations, that would mean its certain death. Its Centrists would join Mitterrand's new coalition and its Right would be immediately absorbed by the RPR.

Raymond Barre has always refused to consider a "historic compromise" on the issue of "cohabitation." Yet he has moderated his institutional views. In view of the complexity of the conflicting scenarios, he explained Sunday evening that the president's attitude should logically depend on "the shift in voters and seats." Today, in fact, nobody on the Right dares militate in favor of a "putschist" interpretation of the Constitution. Politicians with presidential aspirations must respect the office of president if they want to be credible.

3. The last question has to do with the presidential elections. On this point, every opposition leader agrees that the opposition must win. But which candidate and how?

The RPR, like a well-oiled 35-ton bus, is powerfully and confidently rolling along toward Faubourg Saint Honore. All passengers trust "Jacques": that man really knows how to drive.

On the other hand, seasickness is playing havoc with those aboard the UDF galley. Everyone has his own proposals. Many are nominating themselves as candidates. There are calls for a type of "Epinay congress" [socialists unity convention at Epinay in 1971] to consolidate the party. Accusations

of culpability are leveled at some members. There is but one backdrop to all this agitation, the presidential election. In fact, behind each proposal concerning apparently the UDF, there is definitely a more distant ulterior motive. Thus, for example, Giscardians are pressing for--as Francois Leotard did Monday on [radio station] France-Inter--a solution advantageous to the former president, namely organization of U.S. style primaries to choose a presidential candidate.

Conversely, Raymond Barre's supporters want to prevent any merger of the UDF's component formations, knowing full well that the single party would tend, under pressure from the most powerful of the formation, the PR [Republican Party], to eat out of VGE's [Valery Giscard d'Estaing] hand. The latter, who is not allergic to the "microcosm", is going to return to the Palais Bourbon, particularly to re-exert control of the UDF parliamentary group that is suspected of leaning toward Barre. In fact, did not UDF elected officials from the Lyon area meet Friday night for the purpose of secretly forming the first committee in support of Raymond Barre's candidacy?

8041

CSO: 3519/337

MEMBERS OF ESPE CENTRAL COMMITTEE MEMBERS LISTED

Athens AKROPOLIS in Greek 28 Mar 84 p 3

/Text/ The ESPE /United Socialist Front of Greece/, the secretary general of which is Deputy Evst. Panagoulis, has publicly announced the names of the members of its central committee who were elected at a panhellenic meeting.

The central committee will shortly meet to elect the members of the political office.

The following are the members of the central committee:

G. Andresakis, member of the GSEE /Greek General Confederation of Labor/ administration; K. Andonopoulos, economist; St. Voulasikis, TEI /Technological Business Institutes/ professor; Al. Garvelis, former mayor of Amarousion; Gian. Georgiou, business consultant; Man. Giakoumakis, veterinarian; D. Giakoumis, lawyer; G. Giovas, private employee; Ad. Grammatikos, lawyer; F. Dimolios, businessman; N. Zafeirakopoulos, businessman; Gian. Zafeiropoulos, lawyer and former PASOK deputy; D. Theodorelis, dentist; K. Kakavoulis, economist; Gian. Kallias, salesman; P. Kalos, economist; Khrist. Kanistras, law graduate, businessman; Sp. Kandakitis, former director of the Ministry of Social Services; Abdel Zoher Kader, pharmacist; N. Karavasilis, trade unionist; P. Karageorgos, president of the community of Vouliagmeni; Av. Karonis, former director general of the Ministry of Commerce; D. Katsandris, pharmacist; Gian. Keramidas, automobile mechanic; Gian. Korontzis, lawyer; Mikh. Kounkoulis, veterinarian; Ap. Krikonis, electrician; Nik. Lekanidis, handicraftsman; T. Litharis, Polytechnic Institute student; Th. Liotsos, bank official; Al. Maniotis, student; Al. Marandzidis, sociologist, municipal councilor of Salonica; Al. Maraslis, doctor, PASOK candidate in 1981; St. Melas, electrical engineer; Gian. Barbagalas, construction official; Ar. Berzovitis, student; D. Moraitidis, doctor; Ad. Nikolakakis, insurance official; Z. Palaiogiannis, merchant marine engineer; And. Panagiotopoulos, OTE /Greek Telecommunications Organization/ employee; P. Papagiavis, dentist; T. Papadelis, topographic engineer, former secretary of the PASOK Nome Committee; Khr. Papafotiou, employee; G. Pappas, economist; Kh. Pavlidis, journalist; Ang. Perdikouris, doctor, former deputy of the Second District of Piraeus; K. Poundzas, farmer, trade unionist; N. Rendzis, dentist; G. Skouras, businessman; Gian. Stamelos, trade unionist; G. Tzinis, merchant; Th. Tzitzifas, handicraftsman; St. Tortpidis, doctor; Sofia Tseperi, midwife; V. Tifloris, farmer, trade unionist; N. Filaretos, former mayor of Syros, former PASOK Nome Committee secretary; G. Filippakopoulos, salesman; and L. Khalkiopoulos, doctor.

BIOGRAPHIC INFORMATION ON 'UNKNOWN' FLORAKIS

Salonica MAKEDONIA EPILOGES in Greek 1 Apr 84 pp 26-27

/Article by G. Leondaritis: "The 'Unknown' Florakis"/

/Text/ It is a fact that the secretary of the KKE, Mr Kharilaos Florakis, is well liked by journalists even by those who do not agree with him ideologically speaking. His simple demeanor, his hearty smile and goodwill all help in this respect. And also the fact that he can talk with press reporters on any subject they ask him.

Tall, stout, with curly white hair and moustache, the KKE leader is undoubtedly considered more "successful" than his predecessors in this position.

Away from his party work, Mr Florakis lives quietly in a simple house in Kalandri.

In his large tastefully decorated living room you immediately feel at ease. A wood-sculptured desk, a bookcase, a color photograph of Lenin, a small television set and photographs on the wall, one showing the KKE secretary with Brezhnev, another with Chernienko and another older one showing him wearing a hat aboard a ship, all snapshots of his, as well as a photo of his wife in a bridal gown.

On his desk is a whole collection of pipes. He constantly smokes while talking.

"You and Mr Papandreou never let go of your pipes....."

"Andreas also smokes cigars. I never do. I used to smoke cigarettes from age 16. However, when I got asthma the doctor ordered me to stop. So, I ended up with a pipe and I've gotten used to it."

A few packages of Dutch tobacco are next to him. He said, "Fortunately my friends bring it from abroad because it has become overly expensive here."

The one-time major general of the "Democratic Army" now leads a quiet life devoted to his party and politics. Outside of the close sphere of party work which, nevertheless, takes up all 24 hours, he does not have time for anything else.

Mr Florakis always gets up at 6:40 am. After showering, etc. he has breakfast and at 7 am the first thing he does is read RIZOSPASTIS. At 7:30 am he leaves for his party office in the car that has been put at his disposal. He reads the morning newspapers until 9 am. He reads every one of them to the very last line and is very well informed on both domestic and foreign issues. After 9 am he begins his contacts and meetings with members of the political bureau and central committee. On certain days he accepts to meet with whomever wants to see him on any subject whatsoever.

He returns to Khalandri at noon. Once he told me, "The noon-time rest is indispensable. If I don't lie down for half an hour I can't work the rest of the day."

In the afternoon he is usually in the chamber of deputies. He has complete respect for parliamentarianism and considers the role of the chamber of deputies essential for the functioning of democracy.

In the evening, if Mr Florakis is not invited to some special function or embassy reception, he returns home and just about manages to catch the last news broadcast. A television set and video recorder he had in his office is now his brother's. The brother of the KKE secretary, Mr Lambros Florakis, a former judge on the court of first instance and now a lawyer, lives in Athens but is not actively involved in politics. The communist leader once laughingly told me this about his brother:

"From the time we were children I used to get from him whatever he didn't use. As is often the case with boys who have older brothers. So it is now when he got a color television set he gave me the black and white one and the video recorder."

He likes the theater and movies but seldom has the chance to go. He confessed to me the following:

"Don't forget that we had gotten used to illegal work for so many years and that such things were unknown to us. We didn't have the opportunity for such... luxury!"

By "that time" we mean the first years after the change of regimes (following the overthrow of the dictatorship). Now he has adjusted to a new life. He is simple about everything and moderate in his eating habits. He says, "When people see me so big they think that I eat a lot. Just the opposite. Besides, you know, I didn't get a chance in life to become agourmet!"

At an earlier interview in his home I told him the following:

"The people know you as the KKE leader, as a man with heroic deeds during the occupation and during the civil war. Nothing else. What is your unknown life?"

Mr Florakis looked at me thoughtfully and a flash of nostalgia and bitterness showed in his eyes. His whole life was being unravelled in the smoke rings of his pipe.

"My childhood years have remained strongly fixed in my memory. I was born in Rakhoula, near Agrafa, in Karditsa Province. 'Mammy' kept me for 10 years.

Do you know what 'mammy' means? Grandmother. That's what we called her. I remember the stories she used to tell me about the Turkish occupation. I have to confess to you that I am nostalgic about that time. The village, the poor people, Christmas time when we children used to wait for so anxiously!

"Our 'mammy' used to wear 'zgaronia.' Do you know what 'zgaronia' are? They are some kind of shoes made of goat's wool so they won't stick in the snow. What a beautiful period!....We used to look at the goatherds with fascination as they blackened their faces with coal and played the role of devils! I still remember the soldiers who used to return from Asia Minor and who used to tell their stories from the front."

I had asked him about his first contact with the labor movement and he told me:

"Yes, that positive memory has remained alive within me. When I lived in Karditsa our house was near the labor center. There I used to watch the tobacco workers fascinated. Every night they used to gather and sing. As I returned from school -- in those days we used to go to school mornings and afternoons-- I used to stand outside the door of the labor center and listen to their songs and conversations. I think I felt my first revolutionary pangs then."

As he himself admits, when he was a youngster he dreamed of being a ...pilot! He did not become one but from a very young age he began to speculate about social inequities even though his family was well-off.

He was about 14 years old when he became a member of the "pioneers." That is what the communist youth was called at that time.

The meetings of farmers, the peasants who used to come down from the mountains with the black flags to get 5 okas of corn, all influenced him deeply.

Starting out in life he had the same vocation as did the present leader of the USSR Chernenko: telegraphist. In 1931, he went to the TTT /Posts, Telegraph and Telephone/ school and came out a telegraphist. He was doing that work when the /German/ occupation came and he was at once mobilized. They sent him to work on the SEK /Greek State Railways/ line service. He was still being held when the Italians arrived.

He said, "The chief of the security section was somebody named Nikopoulos. He did not, however, surrender us to the Italians. If he had done so we would not be living today. Later on a document was sent to the Italian headquarters from the Ministry of Communications that said that I was the leader of a strike movement against the ...occupation forces and the then Greek government. I have kept a copy of that document. On the basis of this document the Italians came to arrest me but by that time I had already gone underground."

Kharilaos Florakis is well-known from the second guerrilla war when he was a major general in the "Democratic Army." During the entire period of the occupation and during the 1946-1949 period he used the pseudonym "Giotis."

"So, Captain 'Giotis'."

"No. I was not a captain. The grade captain existed in "ELAS" /National People's Liberation Army/ but not in the "Democratic Army." But our enemies always stuck the title 'captain' on all of us who had pseudonyms. Of course,

I do not underestimate it because the title 'captain' had an honorary tradition during the years of the Turkish occupation. However, I merely mention this, namely that I did not have that title. I was a commander in the DSE /Greek Democratic Army/ and had as my political commissar Nikos Belogiannis."

Mr Florakis' wife, Magda, was a Red Cross nurse who had saved his life.

Very few people know that besides Kharilaos Florakis' revolutionary activities during the dictatorship period there was created a love affair that marked his subsequent career.

He was in the Agios Pavlos prisoners hospital in the Averof Prison and she served there as an EES /Greek Red Cross/ nurse. She took care of him and helped him overcome many difficult moments. At the same time she served all the prisoners by carrying out messages and also by secretly bringing in messages!

"I concluded that her interest in me was genuine because I wasn't first secretary then but a mere member, a prisoner with an uncertain 'tomorrow' since my life was in danger. So, we decided to get married...."

From then on their private life has moved along quietly. Recently Mrs Florakis' health seriously declined and the KKE secretary general spent many hours of anguish.

Let us return now to politics for a little... The KKE secretary general has personal knowledge of the the new Soviet leader Constantine Chernenko who had come to Greece several years ago.

What are you impressions of him?

"I believe that what has been written and rewritten in the press following his meeting with Mr Karamanlis does not appear to be far from the truth as far as Chernenko's personality is concerned. It was written, therefore, that after their meeting Mr Karamanlis said in his own way that 'if all the Soviets were like Chernenko everything would be all right....' In fact, he is a man with broad popularity but at the same time one with serious thoughts. Simple and human with a strong personality and solid thinking."

5671

CSO: 8121/1444-A

BRITISH, DUTCH CONTINGENCY PLANS FOR NORWAY EVALUATED

Oslo AFTENPOSTEN in Norwegian 16 May 84 p 2

[Op Ed Article by John C. Ausland: "The British and the Defense of Norway"]

[Text] When the defense of Norway is being planned, one of the questions which arises, but which is seldom debated publicly, is: What assistance can Norway expect from the British?

To judge from the recently published white book on British defense, Norway is not very high on this country's list of what its concerns are. For example, Norway is discussed in the British white book only in chapters which list British exercises.

When I asked a representative of the British authorities about this during a visit to London recently, it was emphasized that the British government attaches great importance to the defense of Norway.

General Sir Anthony Farrar-Hockley, former chief of NATO's North Command, pointed out to me that not only would control over the airfields in North Norway be able to make it possible for Soviet airplanes to threaten the North Atlantic, but that control over the airfields in South Norway would mean a direct threat to Great Britain.

What Kind of Forces?

In order to understand Great Britain's role in connection with the defense of Norway, it is, however, necessary to look a little closer at each individual branch of the armed forces.

Norway cannot expect any direct help either from the U.S. Army forces or British army forces which are already engaged at the center. It is, however, worth noting that SACEUR's crisis plans include deployment of the British Mobile Force to Denmark. These forces will assist in the defense of Jutland, which is of such great importance to the defense of South Norway.

As far as the British navy is concerned, a distinction must be made between fighting for control of the Atlantic and defense of the Norwegian coast. In case of war, the British navy, like the USA's, will be already occupied with

Soviet submarines. As a result of this, Norway will get little help from any of these naval forces to be able to come to grips with Soviet naval activities along the Norwegian coast.

An exception would be if British commandos are deployed to Norway by sea. In this case the British navy would presumably provide escort service.

Commandos

As far as British commandos are concerned, I have come to the same conclusion as for the U.S. Navy. Although they can play an important role as far as reinforcements are concerned, Norway should not count on them in the /opening phase/ [in italics] of the defense of Troms. The primary reason for this is that no nation should rely on allied troops for the defense of vital areas unless it is 100-percent certain that they will be there in case of a crisis. No one can--or will--give such an assurance for commandos.

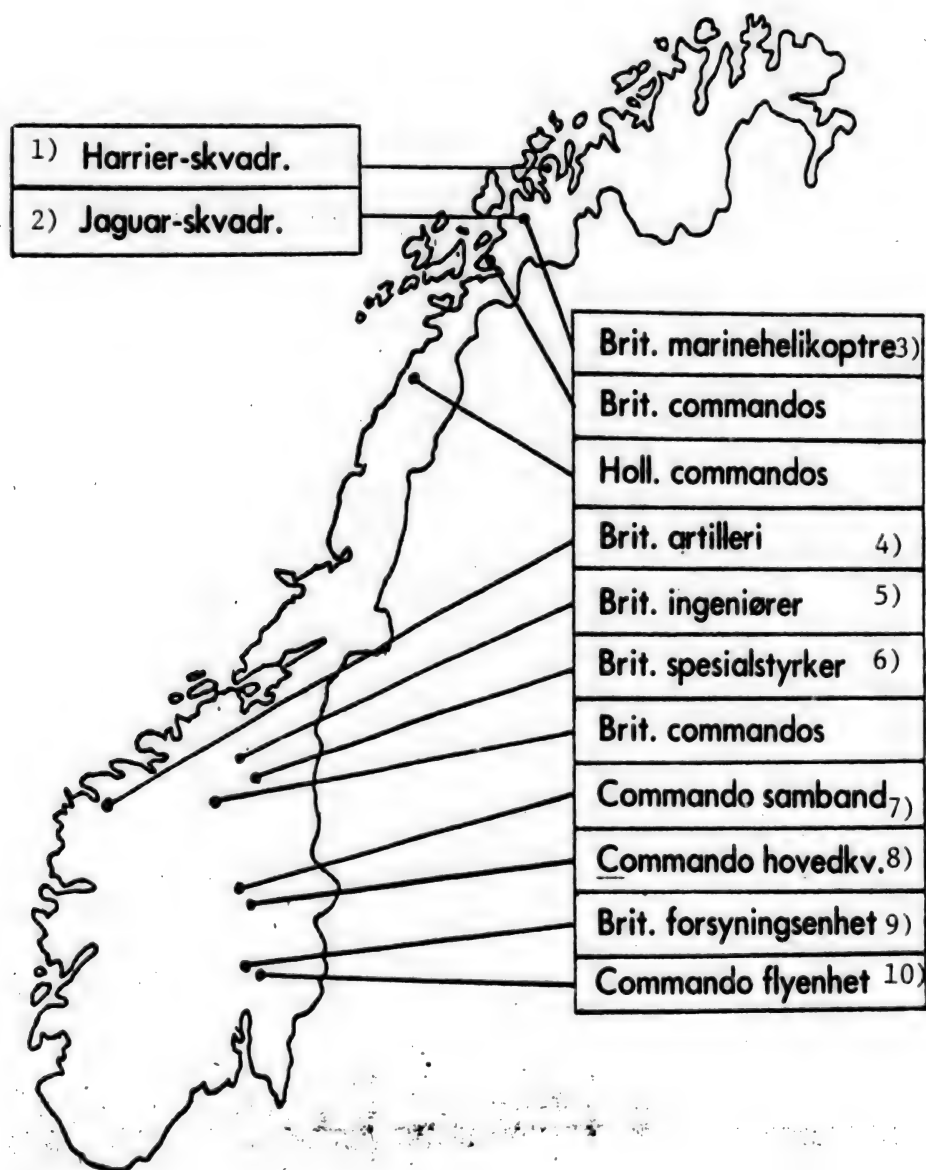
The way I understand it, some Norwegian military officers are uncertain about whether the commandos will come to Norway at all in a crisis. They point out that these are part of SACLANT's reserves and it can decide to deploy them to one of its island commands, for example, the Faeroe Islands. Therefore, these officers ask the question of to what extent it is in Norway's interest that commandos carry out exercises here, taking into consideration the effect this has for Norwegian resources.

British government officials are understandably enough sensitive about hints that they in one way or another are taking advantage of Norway. When I asked one of them this question he reacted strongly and asked whether the Norwegians would rather defend themselves.

Although there is high probability that the British/Dutch commando brigade will come to Norway in case of a crisis, it will depend on the situation precisely where they will come to. The later the decision is made in a crisis, the less probable it is that they will go to North Norway.

The uncertainty with regard to where these forces are to be brought into action in case of a crisis obviously partly explains the reserve Great Britain shows as far as the stockpiling of equipment and ammunition is concerned. A stronger reason is money.

The difficulty is that when Norwegians now really understand the meaning of stockpiling they will most likely just as well have seen stockpiling for commandos. When I asked about this, British government officials pointed out that they could deploy British troops and equipment to Norway in the course of days, compared with weeks for the U.S. Navy, which has to come across the sea from the USA.



British/Dutch Deployment in Winter of 1984, According to Writer of Article

Key:

- | | |
|------------------------------|----------------------------|
| 1. Harrier squadron | 6. British special forces |
| 2. Jaguar squadron | 7. Commando communications |
| 3. British naval helicopters | 8. Commando headquarters |
| 4. British artillery | 9. British supply unit |
| 5. British engineers | 10. Commando air unit |

On the other hand, British authorities are obviously willing to undertake some stockpiling for a squadron of Jaguar planes which are to go to Bardufoss and for a squadron of Harrier planes which are to go to Tromsø, if suitable storage capacities exist. However, it seems that money difficulties have obviously been encountered, just like those which are standing in the way of further stockpiling for American planes in accordance with the COB agreement.

Briefly, it can be said that the British have certainly rehearsed crisis plans for the deployment of commandos and combat planes to Norway. Although the preparations for transport and supply support for these forces leave something to be desired, in my opinion, a still more important question is to what extent the allies should provide more naval support for the defense of the Norwegian coast.

8985

CSO: 3639/114

DEFENSE INDUSTRY FRUSTRATED IN EFFORT TO WIN NATO ORDERS

Copenhagen BERLINGSKE AFTEN in Danish 4-10 May 84 pp 1, 12

[Article by Anders Jerichow and Ojvind Kyro: "Danish Weapons Industry Can Not Participate in NATO Arms Race"]

[Text] Several years of effort to bring some of the large NATO purchasing funds to Danish industry have only produced orders for less than one million kroner. Efforts to instead create Danish bargaining counters by importing weapons from abroad are also going slowly. The largest compensation order so far, the purchase of 58 F-16 fighters has cost the Danish treasury several hundred million in excess costs. In one area, cooperation between defense and industry will bear fruit this year, when the navy is ready to launch its biggest project of the century, 16 Danish-designed new ships, a billion-class investment by the navy.

Last Thursday arms manufacturer Jorgen Hoyer, Canlose, peered over his glasses when he heard a knock on the door. "Yes?"

The sales manager stuck his head in. "I have a customer on the line. He wants 100,000. Is that OK?"

"Go and make a deal," answered Hoyer, and poured the rest of his mineral water into the glass.

A deal was concluded. A customer in Europe made a 9 million kroner purchase of Danish fuses with built-in clocks, so grenades can explode precisely. Danish fuses are much more reliable than all the others.

Jorgen Hoyer's business talent is one of the rare proofs that Danish firms can succeed in the world's most difficult branch.

Generally, Danish firms are too small, lacking in professional leadership, and are not able to meet the quality requirements which are placed on the

market. That is the attitude in the American arms industry, said an extremely well-informed international observer.

WEEKENDAVISEN has learned that Danish firms often retreat when they are invited to the NATO headquarters in Brussels to receive briefings on future projects on a silver platter.

For at least the past 10 years in the NATO infrastructure program the policy has been distribution of production to the individual member countries. But it has proved to be practically impossible to get Danish industry to get involved in the projects, which are mainly electronics. Thereby Denmark has missed orders of 60-70 million kroner--2/3 of what we could have achieved.

"Danish industry is too lethargic," said Jorgen Hoyer.

An office chief in the Industrial Council, Henrik Bjorneboe, puts it more diplomatically: "The nature of the projects has made Danish participation difficult."

The Defense Department has tried for 2 years now to bring Danish industry into NATO projects at the first research and development phase.

But without success. After 2 years of effort to obtain direct access to the projects for industry, the Defense Research Service FOFT recognizes that for the moment there is very little interest in investing in military technology.

FOFT wanted to give industry a knowledge of advanced technology, and at the same time protect a "monetary balance"--so that each year Denmark could produce and export arms for the same amount as the defense uses for new weapons: 2 billion kroner.

Therefore 2 years ago FOFT invited 100 firms for a confidential briefing on selected NATO projects. Fully half of them came to the representation rooms of the Foreign Ministry in Eigtved's Warehouse on Christianshavn. At the second meeting the number was down to 25. The result of the project, which cost 1.1 million kroner, has been that only three firms are now working on projects, with a total value of only 980,000 kroner.

Director V. Guntelberg of FOFT raises two possibilities: "It is a question of willingness to consider whether military-industrial cooperation is good or bad.

"If an effective defense is desired for the tax money, one should stick close to a large nation, and buy completed weapon systems from it, and get a little Danish supplementary production.

"Or else participate from the earliest phases of research and development and become a specialist in some niches on the West European market. Why

not be sure that some of it trickles down to our own industry, when the defense buys 2 billion kroner worth of material per year?"

A report from FOFT has for almost a year been gathering dust in the Ministry of Defense. In it FOFT recommends that some millions be appropriated for real military-industrial cooperation, if the politicians will allow it. Major P. Elman Hansen in the Ministry of Defense confirms that "the matter has been sent up through the chain of command."

Agreements with the United States, Canada and France

A third attempt by the defense to create military-industrial cooperation has been participation in so-called Memorandums of Understanding--MOU--meaning agreements on the development of military technology. MOU's have been entered into with both the United States and Canada, but without any result.

Despite the meager result of these agreements across the Atlantic, Denmark has during the past year also entered into an MOU with France. A Danish industrial delegation was therefore in France last month--and visited the French arms factory MATRA--looking for a couple of niches for Danish weapons manufacturers. The agreement was also discussed when Minister of Defense Hans Engell was in Paris before Easter to negotiate with his French colleague Charles Hernu.

But office chief Henrik Bjerneboe says that so far nothing has come of these discussions.

Excess Cost of F-16 Fighter Planes

Recognizing that Denmark will continue to have to purchase most military equipment abroad--and will only be able to export a small amount in return--the government is therefore trying to get compensatory orders and become a contributory supplier for major weapon purchases.

Here the MOU agreements do not count, however:

"The MOU's only mention cooperation. They give no guarantee of Danish compensation," said office chief Kate Galle in the Ministry of Industry. And the American Government is directly opposed to acting as guarantor that Denmark will be a cosupplier. MOU or not.

Because of changing governments the demand for compensation has often been a political precondition in order to get larger defense purchases approved by the Social Democrats and the labor movement.

But just the compensation in connection with the air force's largest purchase of this century--the purchase of 58 F-16 fighters--has cost the state

treasury billions. The Swedish scientist Ingemar Dorfer from the Swedish Defense Research Institute estimates, using the American Rand Corporation as his source, that the aircraft purchase included 34 percent excess costs. If Denmark, Norway, Holland and Belgium had purchased directly from the American arms producer General Dynamics, each machine would have cost 2 million dollars less, calculated in 1975 prices.

Even though the Folketing has never asked for a similar accounting, office chief Kate Galle in the Ministry of Industry office for compensatory orders confirms that they have experienced a significant excess cost. According to these calculations Denmark paid 25 percent too much for the F-16 aircraft, or 492 million kroner in 1975 prices.

The reason is the so-called "loading effect" which the National Auditing Office together with three other purchasing countries' auditing offices are now in the process of studying. "Loading" exists because the costs and the profits will be multiplied by two, when coproduction is in the picture. Both the American and the Danish firms want the costs and the risks covered.

In September the four auditing offices will deliver a combined report. That can lead to the European defense ministers demanding a significant amount be returned by their American colleagues. "But I do not believe that the American minister will give in on this point," said office chief Erik Hoybye at the National Auditing Office.

In his newly published book "Arms Deal," Ingemar Dorfer describes how the Danish Government wavered up to the end between the F-16 from the United States and a favorable offer from Sweden for the Viggen aircraft.

In secret the then defense minister, Orla Moller (Social Democrat) flew to Stockholm on 27 March 1975, just 2 months before the contract with General Dynamics was to be signed, and 6 days after the Norwegians had decided to be sure that the Swedish offer would still be in effect if we, at the last moment, backed out of cooperation with the three other small NATO countries, Belgium, Holland and Norway. Moller is supposed to have said to his Swedish colleague that employment was an important argument in Denmark, and the labor unions wanted Viggen.

But the Folketing jumped the gun and chose the American F-16.

Kate Galle at the Ministry of Industry said that the entire club of F-16 suppliers have gained a powerful professional and financial profit from the project. But she doubts that there is a market for any special expansion of the Danish defense industry.

Our own market is too little to support investments in development of new weapon systems. Therefore Danish industry is reluctant to go into military supplies. Kate Galle adds that the industry must now position itself to be

competitive in getting compensation orders. Director Jorgen Hoyer said, "I do not believe that the right path is compensation orders, but it is integration--Danish firms must find their own place in this market."

The Naval Purchase of the Century

Only a portion of Danish industry is today living up to the demands and expectations placed on it by the defense: the shipyards.

At Holmen Naval Station the navy is just now preparing the century's largest purchase of warships for the fleet. The project, in the billions class, is called Standard Flex-300, and is the first of its kind in the world. The project was developed by Danes, and will be carried out by Danes.

Even though Standard Flex-300 ships perhaps could be built cheaper abroad, the navy sees no political possibility of considering that solution.

"We could not dream of getting bids from abroad," said Captain N. C. Borck, project leader.

The idea of the ships is simple. Every ship will be built with space for four containers, which can be shifted in a few hours, and thereby alter the characteristics of the ship. A surveillance ship with a helicopter landing platform can in this way be changed to a fighting unit by exchanging the container with the helicopter platform for a gun platform.

"The ships combine the requirements for flexibility, standardization, operating economy and future protection," said N. C. Borck. The 16 new ships expected to be funded will be cheaper to operate and have greater firepower than a traditional project of minesweepers, torpedo boats and surveillance ships. The 16 ships will replace 22 smaller ships of the Daphne, Sund and Soloven classes, which are from the time of the American military aid in the 50's and 60's.

The first prototype will be ready in 1986, and production will begin at the end of 1987. The crew of each ship will be 15-20 men.

The financially hard-pressed Danish shipyards are already working out bids for the construction, and the Danish representatives at NATO have briefed our allies about the new ship type.

The 16 ships, which will be presented to the Folketing at the end of the year, will be fitted with containers which will equip six for high seas surveillance, five for combat, four for minesweeping and one for minelaying.

As to the equipment, the trimmings will come from abroad.

For surface-to-surface missiles, the talk is about the French Exocet, but it could meet political competition from the Harpoon missile, which a

Danish firm is the coproducer of, namely the A. P. Moller firm DISA Systems in Slangerup, Nordsjaelland. A third possibility is Penguin, from the large Norwegian weapon factory at Kongsberg.

For surface-to-air missiles, there are two being considered, and both are coproduced in Denmark. One is Sea Sparrow, which is produced by DISA and Nea Lindberg, Ballerup. The other is RAM (Rolling Airframe Missile), which is an American, West German and Danish coproduction. The two first-named countries have signed for 49 percent each, and the remaining 2 percent is the Danish share.

The Danish parts of the RAM missile will be manufactured by Per Udsen in Grena, Terma in Arhus and DISA in Slangerup--three of the main firms in the exclusive Danish F-16 club.

The Government Hesitates

Shortly after taking over as Minister of Industry, Ib Stetter (Christian People's Party) offered to try to modify the rules for Danish weapon production, if the industry was interested. Today the government is hesitant about saying yes or no to FOFT's recommendation for an office of cooperation between defense and industry.

WEEKENDAVISEN has tried in vain to get a comment from Minister of Defense Hans Engell (Christian People's Party).

9287
CSO: 3613/162

POLITICAL SCIENTISTS DOUBT POLLS SHOWING LOW SUPPORT FOR NATO

Copenhagen INFORMATION in Danish 9 May 84 p 5

[Article by RB: "Skepticism Toward NATO Polls"]

[Text] Opinion polls on attitudes toward NATO and security policy are not good enough, according to some Danish political scientists.

In order to measure attitudes toward NATO, attitudes toward concrete problems must be measured at the same time.

The decline of 14 percentage points which the latest poll in Monday's BERLINGSKE showed concerning support for NATO is evaluated differently by experts.

Assistant Professor Anders Boserup, Copenhagen University, said that the decline is expected.

"It shows that the people recognize how crazy the nuclear weapons policy is which the NATO countries have adopted during recent years. But the opposition against that specific policy is not synonymous with the Danes wanting to withdraw from NATO," said Boserup.

One of his colleagues at Arhus University, Assistant Professor Nikolaj Petersen, advises caution in evaluating the poll.

"The poll in 1983 showed just as large a gain in support as the poll this year showed a loss. The 69 percent support from last year was surprisingly and unrealistically high. On the other hand support of 55 percent corresponds to the actual support which has existed--and has been rather stable--during the 1970's," said Nikolaj Petersen.

9287

CSO: 3613/162

NAVY TO ORDER NEW 'ALL-ROUND' SHIP CLASS FROM DOMESTIC YARDS

Copenhagen BERLINGSKE TIDENDE in Danish 17 May 84 Sect III p 1

[Article by Michael Ehrenreich: "Danish Yards Building New Ships For the Navy"]

[Text] New all-round ships for the Danish Navy will be built in Denmark, and six Danish shipyards have already indicated an interest in the project. Parts of the equipment will be procured abroad with 100 percent Danish coproduction or corresponding compensation orders.

The navy's new ship type to replace a number of older ships will be built in Danish shipyards, promised Minister of Defense Hans Engell in a report to the Folketing Defense Committee.

The ship type is temporarily being projected in the navy under the designation Standard Flex-300, and the type will replace six minesweepers, eight surveillance ships and six torpedo boats. According to plans the new standard ship will be prepared for conversion of weapons and command systems, and in that way be capable of shifting from one role to another.

The project has reached the point where they are giving the ship the form which can fulfill all the requirements, and at the same time trying to calculate the anticipated procurement cost. The labor input in connection with construction is estimated at the moment to be 90 man-years for the construction of each ship.

According to the defense minister, Standard Flex 300 will be put before the Finance Committee with the appropriation request at the end of 1984.

Six Danish shipyards have provisionally indicated interest in building the ship, providing it with equipment and later beginning series production. Those are: Dannebrog Vaerft, Aarhus; Frederikshavn Vaerft; Nakskov Skibsvaerft; Odense Stalskibsvaerft; Svendberg Skibsvaerft and Alborg Vaerft.

In addition the Naval Material Command has received an application from the Helsingor Business Council, which in cooperation with Helsingor Business Investments, reports that it is undertaking further consideration of the project.

According to Hans Engell, the project will be offered and contracted in accordance with the usual practice, in that the building yard will be the main supplier for the complete ship except for the special military installations.

"In case fiberglass sandwich is chosen as the building material, it is possible that the Danish building yard must allow the first hull to be built at Karlskrona yard in Sweden, as it is doubtful if the Danish shipbuilding industry has sufficient know-how and experience to immediately undertake the task," wrote the defense minister in the report.

The technical knowledge of the Swedish shipyard about building materials will, however, later be transferred to the Danish building yard, so that the next ships can be built in Denmark.

Some of the ship's equipment will be procured abroad, but according to Hans Engell there will be a requirement for 100 percent coproduction or corresponding compensation orders.

9287

CSO: 3613/162

MAJOR URGES REPLACING OF DANISH NAVY WITH LAND MISSILES

Copenhagen AKTUELT in Danish 5 May 84 p 12

[Article by Erik Matzen: "The Major Who Wants to Sink the Royal Danish Navy"]

[Text] In his service as an expert in modern weapon technology, the 50-year-old Major Jens Jorn Graabaek has taken on the navy's top officers, because he recommends that the frigates and submarines be stricken from the navy. The frigates are too expensive, and the submarines are practically inoperational.

But in private Major Graabaek has almost a passionate interest in building large seagoing sailing ships. Whenever he has time he goes to Copenhagen's Sydhavn where he is erecting steel stanchions. The hull of his seagoing ketch will be poured concrete.

"I have always been extremely busy, sought challenges, considered whether something could be done in another and easier way, and of course in this way one can offend the military system, where everything is fixed and prescribed. Until a few years ago it was not a problem that I was perhaps a little unconventional, because I have never had promotion fever. My only concern was that the job was well done."

He has long held his unconventional views about Denmark's adjustment to technological weapon development. It was when he presented his knowledge and judgments to the defense-political spokesman of the Social Democratic Party, Knud Damgaard, that the navy became seriously angry, because the political parties are negotiating for a new defense agreement, and the navy wants four to six new submarines.

New Defense Structure

Briefly, Graabaek's viewpoint is that technical weapons development is moving so fast that in a few years it will make large warships defenseless. At the same time the prices are rising so much that a small country such as Denmark can not afford to participate.

"Today we are in the situation that the enemy can strike our warships with precision from long distances. Warships must protect themselves against that, and that requires modern and very expensive radar and anti-aircraft systems. The result is that there will not be money for the defense of Denmark itself. Therefore I recommend that we begin building another defense structure. That we revise our tactics."

He visualizes that missiles will instead be placed on vehicles, which are much easier to conceal in the favorable electronic environment on land. Ships, which stick up like lighthouses at an airport, are all too vulnerable.

Easy Prey

According to Graabaek, submarines are no better. The ability to detect submerged submarines in the sea around Denmark is developing rapidly. The same applies to weapons against submarines. Automatic creeping mines and multisensor-guided torpedoes will be programmed to wait for their prey. In addition, submarines would not be able to prevent an invasion. It is in that phase that the defenders on land have an urgent need for widespread and concealed missile units which can fire multisensor-guided missiles from vehicles against positions designated by unmanned aircraft. These can "see" aided by a radar guided by a minicomputer.

Is that too much all at once? The navy's top officers think so!

The Pension

Between sea battles Graabaek works on his ketches. He looks forward to sailing the world's oceans when he is pensioned in 5 years.

"Physical fatigue is the healthiest thing there is."

Even though his superiors in the Defense Intelligence Service rate him as "still rather fluctuating physically," Graabaek must be very healthy, because at the moment he has two ketch projects in progress. Together with a good friend he purchased "Dagmar of Frederikssund" cheaply, because its former owner ran it aground and damaged the keel. The 50-foot-long ship will not be ready for sea, however, until next summer.

Furthermore he has a long term project going for building a comparable ketch of concrete. A temporary building ramp and steel stanchions which will hold the concrete are in place. But this is not being done in haste, because Graabaek wants to relish every stage of work to the utmost. If all goes well the ketch should be finished in 4 years. Its name will be "Amfitritte," Poseidon's wife, in the hope of receiving grace from the god of the sea.

Perhaps Major Graabaek should have been a naval officer!

9287

CS0: 3613/162

MILITARY

DENMARK

BRIEFS

MANEUVER TESTING INFILTRATION COUNTERMEASURES--From Koge in the south to Gilleleje in the north they will be at swords points during the daytime until 27 May. The VI Military Region is holding maneuvers to test countermeasures against infiltration and attempted attacks by small enemy commando forces. The "enemy" in the maneuvers, "Spring Training 84" will be units from the U.S. Special Forces and the Danish Commando and Frogman Corps.[Text] [Copenhagen BERLINGSKE TIDENDE in Danish 16 May 84 p 3] 9287

CSO: 3613/162

SHORTER CONSCRIPT SERVICE TIME CONSIDERED

More Would Be Drafted

Oslo ARBEIDERBLADET in Norwegian 2 May 84 p 6

[Article: "Shorter Compulsory Military Service"]

[Text] It is possible for the question to arise of shortening the period of compulsory military service. According to what the Labor Press's Oslo editorial office has learned, the Storting Armed Forces Committee will probably recommend a reduced period of service if it is necessary in order for the armed forces to be able to afford to call up more for first-time service.

The committee is to give on Friday its recommendation regarding the armed forces' longterm plan. A joint committee is troubled over the fact that more and more are now not having to do first-time service, to a great extent for budgetary reasons.

If none of the committee members withdraws at the finish, the committee will unanimously recommend that more be called up for first-time service. If this is difficult to do within the economic restrictions, the committee believes that the period of service should be differentiated.

Probable Agreement

It will probably not specify a recommendation for, for example, nine months first-time service, as several youth organizations have demanded, but just point out that it is better with a reduced period of service than with undermined compulsory military service. The committee's final formulation on this point will be clarified later in the week, but the discussion hitherto points in the direction of agreement between the government parties and the largest opposition party, the Labor Party.

The fear of watered-down compulsory military service is at the basis of the committee's recommendation. Almost a third do not have to do first-time service today, and few question that it is strict economic constraints which have made the armed forces butterfingered.

The largest political youth organizations have expressed fear of a development from ordinary compulsory military service toward an army based on voluntary recruits, and this fear will certainly come into play when the Storting's politicians on 29 May debate the recommendation from the Armed Forces Committee.

AUF and UH Demands

The Young Conservatives (UH) and the Labor Party Youth Organization (AUF) are among the youth organizations which are standing together in the demand that more be called up for first-time service. AUF Leader Egil Knudsen advocates reducing the service period from 12 to 9 months and he also thinks that first-time service can be made more effective.

"The armed forces have limited resources. Within the given limits we ought to prioritize the troops situation before putting our stakes on high-technology equipment for the armed forces. And instead of letting more not have to do service, it should rather be made shorter for all," he says.

Medical Reasons

He emphasizes that it is not the small percentage which are exempted for reasons of political convictions which he wants to strike out at. "A third do not have to do service for various medical reasons. For some this is justified, while for others duties in the armed forces which are suited to their situation can quite surely be found," AUF Leader Egil Knudsen says.

Officer Criticizes Service-Reduction Plan

Oslo AFTENPOSTEN in Norwegian 11 May 84 p 3

[Article by Infantry Inspector First Colonel H. Faret: "Reduced Period of Service Advised Against"]

[Text] Infantry Inspector H. Faret thinks it would be inadvisable to reduce the period of service, for one thing, out of concern for the educational and training requirement.

Topics which are being repeated in the armed forces debate are the length of first-time service, the pattern of review exercises, and the organization of land forces. The argument is often that with the effective utilization of first-time service it can be cut down drastically and that small local installations can produce a less expensive and better land defense system. In two articles in ARBEIDERBLADET Colonel O.J. Hald again took up, among other things, the question of altering the army's service arrangement.

However, common to these proposals is the fact that they do not go into the educational requirement and the conditions which restrict an effective period of training.

Exhaustive assessments of the potential adversary, the combat environment of the future, and the threat toward different parts of our country have resulted, among other things, in the following:

The establishment of permanent preparedness in North Norway with jointly trained field units; and the fact that the army must have mobile brigades with great striking power which can be brought into action, individually or several together, as quickly as possible against an attacker.

Local army units and the civil defense system, equipped more lightly and more simply, are a necessary and natural supplement to the mobile brigades. The local forces have therefore been an important element in the land defense system since 1945.

Such units /alone/ will /not/ [in italics] have the combat capacity which is required in order to meet and fight off an attack. Our education arrangement and requirements are therefore influenced decisively by precisely these requirements.

Education reports, test results and inspections show that even the period of schooling which is at our disposal today is too short to achieve the required technical competence and field toughness.

A shorter and locally moored first-time service will largely speaking have the same restricting-framework factors for the actual training time as today. Some time will still be used up for leaves, assistance to the civilian sector and administrative duties. The lack of junior and noncommissioned officers and of training and measuring materials together with too few expanded firing ranges and training fields will continue to exist for a long time.

Basic individual training (marksmanship, combat techniques, the ABC's of defense, etc.), group training (physical training, etc.) as well as technical training which gives the individual soldier the ability to survive and function in the combat environment of the future today require about 50 percent of the disposable training time over the course of 12 months. The remaining 50 percent is made up of joint training in detachment units (company, battalion and brigade). This joint training in the field is decisive, among other things, in order that combat branches like the infantry, artillery, armored units, antiaircraft defense units, engineering units, etc., will be able to function effectively together under field conditions.

The army gives training in very many categories of skills. This special training varies in length for individual categories from two to six months. Subsequent practical service in the context of a unit in the field makes the soldier able to master his special job so that he can be made use of in the mobilization army.

Twelve-month first-time service gives most soldiers training under winter conditions. An important advantage which is gained by this is the fact that our units are able to fight and survive through the winter. A shorter service time would to a great extent rule this out.

The consequences of a reduced period of service will result, viewed overall, in inadequate or untrained field units. Especially dangerous is the fact that there will be little or no time for joint training in detachment units and an equally reduced opportunity for the training and development of junior and noncommissioned officers.

A plan to shorten the mobilization and review exercises from the present three to one or two weeks for field units has also been launched without the proposal's having been sufficiently elucidated. Inspections and monitoring of review exercises unequivocally show that the time which is available is marginal in comparison with the realistic training objectives which have been set.

A 30- to 60-percent reduction of the drill period would seriously restrict the possibilities of developing and maintaining a reasonable training standard for these types of units.

In addition, shorter review exercises would have to involve greater frequency. This would result in cost increases and demand more both from the community and the individual enlisted man.

The army's education and training arrangement must be measured against the demands made by a combat situation.

A shorter period of service will not make possible the schooling and training of our soldiers and units so that they satisfy these requirements. A reduced period of service would therefore to a serious extent reduce the army's effectiveness and reliability.

8985

CSO: 3639/114

'INSTITUTE FOR DEFENSE INFORMATION' TO BACK STRONG MILITARY

Oslo AFTENPOSTEN in Norwegian 9 May 84 p 16

[Article by Håkon Letvik: "New Organization Wants to Strengthen Interest in Defense"]

[Text] Work on strengthening interest in defense among the Norwegian people is now being intensified. On Liberation Day, 8 May, a group of friends of defense founded the organization "Institute for Defense Information." Its objective is to promote sympathy for a strong defense and for Norway's membership in NATO.

"Every rational human being is occupied with peace and freedom. Nevertheless, peace cannot be achieved by Norway's pulling out of NATO or by the West's unilaterally laying down its nuclear weapons. We are putting our stakes on stemming the tide of the breakdown of interest in defense we have seen tendencies toward in recent years," says Morits Skaugen, member of the board and one of the initiative takers for the new organization.

Skaugen considers a strong defense as life insurance which should be a matter of course for everyone.

"We cannot manage to defend our country alone. Cooperation with our allies in NATO is necessary. For 35 years this organization has ensured us peace and our freedom. It will be an important objective to familiarize people with NATO's justification," Skaugen says.

Newly elected Chairman Thore Boye says to AFTENPOSTEN that interest in defense questions obviously exists among the Norwegian people, and that much has been left undone as far as information is concerned.

"In the time to come, we will carry out a nationwide information and education operation and we will collect money and give support to other organizations which have kindred purposes. In addition, we will develop collaboration with friends of defense in other NATO countries. We will not compete with those organizations which are already working for the same cause," Boye says.

Per Bjørgan was elected vice-chairman. Other members of the board are Morits Skaugen, Arild Smith-Kielland and Anders Høegh. Alf R. Bjercke was elected council chairman.

Most of the initiative takers for the organization themselves have a background in defense, both in war and peace.

8985

CSO: 3639/114

CREATIVITY, VENTURE CAPITAL LACKING IN NEW INDUSTRY STARTS

Hamburg DIE ZEIT in German 6 Apr 84 pp 33,34

[Article by Wolfgang Hoffmann: "A Good Start Gets Half the Support"]

[Text] New enterprises are mushrooming. Those founding a livelihood are supported by the state from many sources. Do new businesses bring fresh energy to old areas?

In the spring of 1977 Sigrid and Manfred Lettenmayer founded the "Basis Microcomputer" firm in Munster. As early as four years later their books showed rapid success: 25 million mark turnover. In February of 1983 the entreprising couple moved production from Munster to Berlin. With the help of the senate, the "Basis Technologie Lettenmayer" was formed. The Berliners celebrated the new establishment as a leading example of new Berlin economic support. It fit the senate's slogan: "Berlin must become a German Silicon Valley."

Sigrid and Manfred Lettenmayer will not be able to reap the harvest of their Berlin enterprise. Their promising move to the former capital of the realm ended in an unequalled tailspin. Only a few months after their beginning with Berlin's support, the couple was finished. In the fall of 1983 the Lettenmayer firm was liquidated. Afterwards, what Hans Jochen Vogel said about his time as Berlin mayor must have sounded like bitter mockery to the two: "In Berlin you always learn a little earlier how things are going."

But the collapse of the Lettenmayer business is so much in contradiction to the apparent reality. For weeks and months the headlines have been announcing a dynamic upswing for young entrepreneurs. "More and more young people are founding independent businesses," or "The wave of new enterprises is increasing," the headlines say. And from the ministry of economics in Bonn comes the report: "Huge demand for state aid to business."

Stagnation and resignation in business enterprise seem to be over. The low point where failures exceeded the number of new businesses has been overcome. Is the German economy experiencing a new boom in independents, particularly in branches with a future?

The facts seem to say yes. To be sure, there are no exact official statistics on the number of all new business foundations. According to expert estimates,

however, there were 120,000 to 150,000 last year. But there are also some more concrete investigations that confirm the trend. According to reports of the nationwide economic data journal, CREDITREFORM, 46,000 new industries were listed in the Trade Register in 1983 as opposed to only 12,000 bankruptcies. The positive balance between foundation and liquidation has not been so clear for a long time. CREDITREFORM says: "The recovery and even partial upswing phase in the economy has led to a reassurance on the matter of insolvency. It is thought that barring unexpected setbacks this recovery will continue throughout 1984." The Burden Equalization Bank (LAB) in Bonn also has figures to show that being independent is in again. This federal bank has for years administered and approved those monies that the Economics Ministry has had available for the funding of new industries. These are essentially industrial foundation loans from the European Recovery Program (ERP) resources set up after WWII, as well as special loans set aside as supplements to the private capital of young entrepreneurs. The maximum support for the founder of a new firm is usually 600,000 marks, that is, 300,000 from each of the two programs. Recently, the LAB has also been administering the financial injections that the Bonn Research Ministry has targeted for the foundation of "technology-oriented enterprises" (TOU), which are to enrich the economy with new developments. The state grants a starting aid of a maximum of 2.5 million marks.

The support comes in three phases. First the idea is established, then a prototype developed, and finally the introduction of the new product into the market is sponsored. The TOU program established last year by Heinz Riesenhuber in the face of much resistance, is first of all a model experiment. It will run four years. The total volume: one hundred million marks.

This is not much compared to what the LAB pours out in support of young enterprises. In 1983 alone the LAB distributed 1.3 billion marks in support of 16,500 new industries. The total volume of the investments springing from this was 2.7 billion marks. The increase in aid last year was unusually great, showing the increased desire for independence. LAB support in 1983 was a good half billion higher than 1982.

The funds are obviously well-invested. Eva May of the Bonn Institute for Middle Class Research" has studied the effects of state aid. From a comparison of state-supported and nonstate-supported firms, she concludes: "Analysis of industrial development and developmental potential indicates that the course of supported industries tends to run more favorably than that of nonsupported ones."

For the Lettenmayers' "Basis Technologie" foundation in Berlin, this analysis is not correct, although this industry, too, was richly supported. And still, the bankruptcy of the Lettenmayer computer producers does not even contradict Eva May's success article. At least Horst Albach, Bonn professor of business management, thinks: "Empirical studies show that there is a class of industrial foundations that is extremely successful even though their own capital is so small in the beginning that the success of the foundation alone endangers further survival."

This is exactly the way it was with the Lettenmayers. In fact, their capital outlay was a classic example of programmed failure of a success in which there was at first no doubt. An essential reason for the failure was that the Lettenmayers went into the production business. The capital requirement for foundations in this sector is considerably higher than for a start in trade. In addition, the chances of success, at least in the beginning, are much fewer than in other areas, and they get even fewer when their own capital is low and the amount of borrowed capital with its high interest rates is too high. These factors obviously also make up the reason why production enterprises, in contrast to the general trend, continue to show a decline rather than an increase in independents. In a study for the Middle Class Institute, Professor Albach says, "Insufficient activity in the foundation of new industries, above all in the high technology area (microelectronics, measuring techniques, biotechnology, communications, etc.) gives rise to fears that structural adjustment in the formation of new branches is being delayed, thus decreasing the international competitiveness of the German economy."

This fear is confirmed in the statistics of state business promotion. Thus the support funds of the LAB are overwhelmingly in crafts (43 percent) and trade (31 percent). For officials of the Bonn Research Ministry this is reason for a sarcastic summary: "Help to independents is after all only help for shops."

No Innovations

Although the ministry of economics accords "great significance to the innovation potential of smaller and medium enterprises," as it reported January 1984 in the annual report, it also found a considerable gap between claims and reality. A ministry official said, "As far as innovations in promotion can be seen, they play no role. There are no really innovative new enterprises."

The percentage of really innovative new enterprises is so small that even Postmaster Christian Schwarz-Schilling says that the Federal Republic "has come into an embarrassing backward state in the future-oriented market for high-tech products." Of the 16,500 new businesses supported last year -- the number of genuine new enterprises is around 8,000 -- only two to four percent at best have innovative character.

The Chambers of Industry and Trade, with their quite accurate knowledge of places, do not see things differently. The energetic Koblenz chamber even came to a more unfavorable result. A study of new enterprises in the chamber's area, the structure of which is representative for the federal area, showed the main new firms to be in trade representatives, groceries, textiles, household goods, cosmetics, and gas stations. Among the 5,764 business reports in the chamber area, there were 126 industrial foundations. Of these, the chamber found "only 13 technologically oriented" -- only 0.2 percent, that is. The judgment from Koblenz on state foundation aid is therefore not very flattering: "Nor has the state promotion of new enterprises changed anything in the fact that firms with future-oriented technology are in the main just as scarce as before."

Aside from the new enterprise promotion of the Research Ministry, Bonn economic policy up to now has not felt particularly duty-bound to lead the economy into the future with the help of creative inventors. Klaus Notzel, member of the Board of Directors of enterprise aid in LAB, said, "We don't want to get mixed up in the question of what is valuable and what is not. Who is to decide what is really innovative? Aside from some odd things, we do everything. We also support the new individual businessman on the street where several others are already operating, providing the conditions are met."

The targeted support of particularly creative young entrepreneurs has failed up to now because of considerations of orderly policy. Federal Chancellor Kohl obviously doesn't like this and wants a change here, too. At least he is trying to see "if the present model attempt for this special group (of technology-oriented) young entrepreneurs can be expanded so that impulses and initiatives of young technicians and scientists do not fail because of lack of capital or bureaucratic inhibitions or both."

Risks Minimized

This realization was probably one of the main reasons for the brainchild as early as the mid-seventies of the Risk Financing Society (WFG). Twenty-nine credit institutions took it up and formed the society in 1975 in Frankfurt. The purpose of the bank was to provide enterprises with risk capital for opportunity-rich technical innovations as their own capital (between 250,000 and 3,000,000 marks).

Here, too, the banks not only spread their risks wide, but also clearly minimized them: the organization pays the first 75 percent of possible losses. Up to the beginning of 1981, the WFG had taken part in thirty enterprises with 32.4 million marks risk capital. Five enterprises failed completely, and 19 were sold with considerable losses. Total loss: 32 million marks. After the failure, the concept was improved. Not only the foundation, but also the growth, was aided, and the length of time of participation was extended. In the meantime, good reports have again been heard from the WFG.

The successes and failures of the WFG indicate that the support of innovative enterprises does not necessarily fail from lack of money. Eberhard Farber, co-owner of the Munich Periphore Computer Systems (PCS), even says: "Knowledgeable financiers are lacking." In fact, the Federal Republic lacks what the U.S. has in abundance. Managers and financiers who know something about what venture capital is. Risk capital, and how one deals with it. When Farber went to America in 1983 with a newly developed computer, knowledgeable financiers raised 3.5 million dollars risk capital within three months and formed a participatory firm that was so successful that in just another six months 8.5 million dollars in new risk capital was invested in the undertaking.

In 1983 in Germany Eberhard Farber had a positive turnover of 50 percent. In the meantime, the brothers have also found someone in Germany who will risk capital. The Quandt group joined PCS with 7.5 million marks venture capital. But this

is an exception. "Here in Germany there are five to ten people who understand venture capital," Farber said. In his opinion, it will be a long time before there are enough experts who understand venture capital. "If we want it to go faster, we have to bring over a few dozen experienced U.S. people for a few years to Germany."

But here one obviously prefers to call on the state. First of all, the framework has to be changed in a drawn-out legislative process. There is no lack of proposals. The latest came a few days ago from Postmaster General Christian Schwarz-Schilling. In essence it contains a summary of demands that have long been known and discussed. The most important immediate measures include: improved write-off of losses for producing enterprises; a considerable reduction of profits tax on sales so that the earnings can be reinvested in new things; the mobilization of risk capital, whether through easier access to the stock market or by way of tax relief for capital-participating companies. Christian Schwarz-Schilling, himself once an entrepreneur, has also figured out that his suggestions will not cost much at all. He estimates: a billion marks.

There is general surprise in Bonn that the Postmaster General is getting mixed up in economic policy for the promotion of new industry. Nevertheless, the interest is quite well justified. On the one hand, Schwarz-Schilling has an interest in seeing to it that his planned investments in the billions in new communications techniques flow to German firms and not overwhelmingly to foreign companies because the Germans have nothing to offer. On the other hand, Schwarz-Schilling is worried that in the competition for the 25 billion marks that Finance Minister Gerhard Stoltenberg wants to pour out for family policy and tax and tariff reform there will not be a pfennig left over for the restructuring of the German economy. "Here we really need a change," Schwarz-Schilling said.

9124

CSO: 3620/285

CIT-ALCATEL'S 1983 FIGURES SHOW RESULTS OF SUCCESSFUL MANAGEMENT

Work Week Reductions Solve Problems

Paris LES ECHOS in French 3 Apr 84 p 2

[Article by Jerome Faure]

[Text] On Monday, 5 March, LES ECHOS began publication of a six-week study analyzing some 30 companies that have successfully reorganized, despite reputedly difficult circumstances.

The series of articles will highlight those that have been able to adapt and prove that one can be successful at a time when reorganization of the ailing traditional sectors such as steel, coal and the shipyards creates a most depressing climate.

What did they do to be successful? That is what we sought to find out. After Jeumont-Schneider, BSN [expansion unknown], L'Oreal, Bollore, Newman, Cantalou, Ibis, Salomon, Bic, SESA [expansion unknown], Andre, Brochier, Damart, Smoby, Eram, Bongrain, Souriau, Gerland and Hachette, today it is the turn of Cit-Alcatel.

Every modernization sooner or later has to face social change. The confrontation is often so violent that the consequences seem inevitable. Industrial conversions are often synonyms for unemployment.

How can one beat this dangerous connection without thereby bringing the economic objectives of competition into question? A change must also come about socially.

At Cit-Alcatel, as early as 1976, the shock wave of the technological evolution forced management to draft an equipment policy whose effect on employment was important in a double way. The installation in the PTT [Postal and Telecommunications Administration] system of electronic centrals at the expense of the traditional electromechanical centrals involved a change in training -- fewer unskilled jobs are available -- and a reduction in personnel -- only a quarter of the personnel are needed to install an electronic central.

Without having ever been faced with an untenable situation Cit-Alcatel has embarked upon a far-reaching conversion operation, with strict respect for legislative procedure and regulations but with a minimum of social dialogue. Several plants that had heretofore specialized in the manufacture of transmitting equipment will now produce equipment for office automation and professional electronics.

Two plants will still have to be closed. All 700 salaried workers at the La Rochelle plant and the 300 wage earners at Saint-Remi-de-Maurienne have been individually reclassified and there have been other layoffs. However management made wise use of natural departures and used the social covenants of the FNE [expansion unknown].

One of the positive results of this initial conversion is the major training effort, now totaling 4.5 percent of wage earners, which has made it possible for management to assert that the different production units have made gains in overall skills.

Despite that fact, Cit-Alcatel continues to be confronted with excess personnel as a result of political changes in 1981 bringing about the nationalizations and the implementation of a social policy that modified ratios in the enterprise.

Following a series of tripartite meetings with the PTT Ministry during which management and trade union leaders took a hard look at themselves, the problem of excess personnel was posed. Out of a total of 18,000 wage earners the figure was put at 1,650 persons.

Management then decided to see what could be done to reduce the work week. Negotiations would begin, practically the first of their type. Neither side was accustomed to this type of undertaking.

<u>Consolidated Figures</u> (millions of francs)	<u>1981</u>	<u>1982</u>	<u>1983 (Est.)</u>
Turnover	10,742	12,446	13,091
Profit ¹	877	954	
Gross self-financing margin (profits + amortizations)	492.2	480.7	
	74.4*	73.7*	85
Net profit			
Net margin (net profit/turnover)	0.7%	0.60%	.65%
	1,488	1,472	
Own funds	40,000	40,000	
Personnel			

The group's share of the results comes to 90.8 million for 1981 and 118.4 million for 1982.

¹ Operating result before amortizations, earnings and financial costs.

Despite a relatively tense atmosphere at the outset, plus the discontent arising out of the wage freeze at the beginning of the summer in 1982, negotiations made progress. In particular, management wanted to ensure that the agreement on the 35-hour work week would not be merely bureaucratic, but result from the establishment of a local framework for bargaining. Following the rejection of an initial proposal in September 1982, a framework agreement involving seven establishments employing 6,000 persons was signed in November by all trade union organizations, with the exception of Workers Force (FO).

This was a success for management, which succeeded in obtaining agreement that the reduction in the work week could not be compensated for entirely, a dogma difficult to abandon for some. The final compensation figure was 60 percent, a loss in monthly wages of about 4.5 percent.

Nevertheless, the problem of excess employees was still not solved. This agreement merely made it possible to keep 400 jobs. At the same time, an FNE was signed for 300 persons. The introduction of part time, commercial redeployment and aid to reclassification in the small and medium-size businesses in the different job centers will make it possible to continue the reorganization effort.

Consequently, there are no miracle solutions, but the agreement makes it possible to continue the modernization effort, especially since the improved productivity due to better use of machinery is joined by reduced absenteeism and the consideration given to an economic balance by the trade unions. It is also also the starting point for a series of agreements (wages, training, trade union rights, flexible schedules), which relax the social atmosphere of the enterprise.

It is an aspect not to be neglected in the effort to be made by the sector in the years ahead.

President Pebereau Addresses Shareholders

Paris LES ECHOS in French 4 Apr 84 p 23

[Letter from President Georges Pebereau to shareholders]

[Text] Ladies and gentlemen, shareholders:

Since last fall, the activity of our company has been particularly marked by the rapprochement of civil communication and office automation of the Alcatel firm and the Thomson firm.

The agreement signed in September 1983 by the General Electricity Company and Thomson, whose essential elements were communicated to you in my letter of 17 October 1983, is gradually going into effect. The organization of administration and management has been completed, the legal and financial structures designed and being set up. In public telecommunications, a common policy on products is being drafted. Reorganization of the means devoted to research and the development of future products is underway. The two firms are coordinating their action on foreign markets.

In an initial stage, a holding company, Thomson Telecommunications, was set up on 26 December with a capital of 751 million francs to receive the different activities of Thomson CSF [General Radio Company] in the field of civil communications and office automation, whether they be exercised directly or through subsidiaries. The corresponding contributions have already largely been made and will be completed by the end of this six-month period. An order in the month of January authorized the underwriting by the government of 699 million francs to increase the company's capital, which should be done within the same length of time.

At the same time, Cit-Alcatel took control of Hotchkiss Brandt Sogeme (HBS), which leads the field in France in postal sorting. The majority holding in Sintra Alcatel was turned over to Thomson CSF, with the Alcatel firm retaining the telex, teletex and civil radiocommunications activities. In the field of component parts, Alcatel Semi-Conductors was turned over to Thomson CSF. Alcatel Quartz Electronics is merging with the Electronics and Piezo Electricity Company (CEPE), a subsidiary of Thomson CSF, with the Alcatel firm retaining minority holdings in the company formed by the merger.

All activities regrouped in Thomson Telecommunications have been placed under the same management authority. For this purpose, the president of Thomson CSF gave me a mandate, effective 1 January, to manage units and subsidiaries going into the holding company. Officials have immediately been appointed by joint agreement to head them.

At the same time, the first elements of the strategy of the new firm have been drawn up and specific means set up to bring it about.

In the field of public switching, given the prospects of international competition and the absolute need to find the means for long-term development, the manufacture of systems solidly established on foreign markets -- the MT 25 and E 10 B ranges of high- and medium-capacity centrals -- will be continued and with regard to the remainder efforts will be concentrated on products best adapted to future demand -- the MT 20 system for transit centers and the E 10 S system for smaller centrals.

In keeping with the protocol of September 1983, a joint research and development subsidiary, Alcatel Thomson Development (ATD), is being set up. Its task is to plan the new-generation public switching systems that will be part of the future digital system integrating services and will support videocommunications. It will thus orient the development of the current MT and E 10 systems in order to make them converge on the future single range.

Finally, the means of commercial action abroad of Cit-Alcatel and Thomson Telecommunications in the field of public telecommunications are grouped together in the Alcatel Thomson International (ATI) company under a single management. The teams thus constituted now have responsibility, on behalf of the new grouping, for seeking out and negotiating export contracts.

These provisions were put into effect, despite their importance and complexity, with strict respect for the very demanding schedule drawn up by the September

1983 protocol and in a climate of cooperation that is proof of their effectiveness.

In 1983, Alcatel continued to expand.

Consolidated turnover excluding taxes exceeded 13 billion francs. Given the structural changes that occurred in 1983, it cannot be directly compared with that of the preceding fiscal year. Based on comparable structures, it increased 16 percent.

The company's own turnover in 1983 rose by 9.7 percent, while export sales increased 18.5 percent. Orders in current francs remain at the high level reached in 1982, a year marked by the very important Indian contract and two underwater connection orders. The preponderant share of public switching orders received from abroad made up of orders from customers who have already used our equipment bears witness to their satisfaction. New countries, including Algeria, Nicaragua and Pakistan, have adopted the E 10 technology.

Despite the volume of expenses incurred for studies and commercial spending for expansion abroad, the operating results of your company have once again improved substantially.

Regarding your subsidiaries, the growth in private telecommunications activities, led by Telic Alcatel, continued with vigor and should be further accelerated in 1984. It is accompanied by a remarkable growth in results. In the area of mail handling, SMH Alcatel and Satas have had an excellent fiscal year. While GSI Alcatel and Sesa watched their activity advance more moderately they have had a substantial improvement in profitability. Finally, a new member of the group, the HBS company, whose turnover is 580 million francs, continued to expand and enjoyed satisfactory results.

CGA Alcatel and its American subsidiary, Alta Alcatel, are being redirected. The turnover of CGA Alcatel rose 10 percent and orders 25 percent. The order book by the end of the year represented the equivalent of 16 months of activity, but the reorientation of activities has had a heavy effect on the results of the fiscal year and will also affect those of 1984.

The recovery plans of Friden Alcatel and Roneo Alcatel, which I reported to you last year, are being carried out satisfactorily. Friden Alcatel has enjoyed a favorable development of its activity and results. It is on its way to a balance. Regarding Roneo Alcatel, there is an overall balance maintained by the commercial companies, but not yet by industrial subsidiaries in Great Britain and Germany, whose books show the effect of the decision, now being carried out, to give up lines of products showing a deficit because of the evolution of their market.

The consolidated results of the Alcatel consortium will also register the major added values noted on the occasion of the turnover of Sintra Alcatel and Transac Alcatel, the fruit of strict previous management. Despite the effect of the losses of the Intelautomatism Company, in which the group now has but minority participation, your company, in a relatively unfavorable

economic environment, will show a net consolidated result clearly on the rise, both with respect to the group and overall results.

Consequently, 1983 looks like a good year for Cit-Alcatel and its shareholders.

Your firm is now looking to the 1984 fiscal year under satisfactory conditions. It has concentrated its activities on its essential vocations: public telecommunications and business communications.

While the new Alcatel Thomson group resulting from the combining of the civil communications activities of Thomson with those of Alcatel, now has the minimum size indispensable for being a part of the few world telecommunications enterprises that will continue to participate in competition between now and the end of the century, it must now develop in a contrasting context. Alongside unfavorable elements: stabilization of the national market and greater world competition, real opportunities exist: the noted recovery of the international economy, deregulation of the American telecommunications market, analogous prospects that may open up in Japan or certain Western countries, along with proposals for mutual opening of European markets.

Within this context, Alcatel Thomson is forced to meet a fundamental challenge: using the means it has, to acquire the place and influence it needs on the international level. The cost of developing new technologies and the refinement of future generations of products can actually be met only by having a significant part of the world market. At a time when ATT and IBM are organizing their zones of influence, especially in Europe, and when, on all the markets of the world, competition is increasingly bitter, the new group must devote all its efforts to expanding and consolidating its international positions. Its technological autonomy, key to its independence, is at stake.

There is little time to do so, but it is not lacking in assets.

Your company has solid positions. If it is no longer alone on the temporal switching market, its technology is the most advanced in the world and its products enjoy several years of experience in service. They are even present in Europe, where your Irish subsidiary has had good results. With respect to underwater connections, where, along with Lyon Cable, it holds over 25 percent of the world market, your company has been asked to participate in the first Transatlantic link on Tat 8 optic fiber and will supply most of the equipment for the Singapore-Marseille underwater connection. With respect to private telephone service, the agreements made last year with the Italian company Dial broadened the European positions of Telic Alcatel. Over 700,000 Minitelts are in service or on order in France or abroad, and better and better versions are being put on the market.

For its part, Thomson Telecommunications is giving the new group its technical competency, its industrial potential and international experience. The range of products needed for the public telecommunications systems is enriched by the MT systems, microwave relay connections and earth stations for satellite telecommunications. It is now complete. The reinforcement is particularly

precious in business communications, whether it be a matter of automatic switching or associated terminals, and enables Alcatel Thomson to have a very broad catalog, ranging from complex communications systems to the Minitel and computer communications terminals, including telex, teletex and telecopiers.

Finally, although the penetration by Alcatel Thomson of the American market must still be greatly developed, it is already a reality and its products are present, whether it be in public telecommunications or office automation. The last E 10 Five central tested in service was fully satisfactory in December. Large-scale marketing of the product was therefore launched at the end of 1983, in keeping with plans. By 31 December, nine centrals had been sold or were on the order books. Through its subsidiaries or distribution agreements, the new group also sells a wide range of equipment for business communications: mail handling and telecopying equipment, intercommunications equipment, professional videotex terminals, private automatic switches. The rationalization of the Cit-Alcatel and Thomson Telecommunications structures in the United States is now underway in order to optimize the effectiveness of the means available.

The action undertaken will be continued and expanded in 1984. for Alcatel Thomson can only base the development of its technical and industrial activities in France on its international expansion. Conscious of the stakes and the efforts implied, your company will do its utmost to achieve the ambitious objectives it proposes and thus be able to assure shareholders as well as personnel of the benefits they can legitimately expect from their steadfast support.

11,464
CSO: 3519/325

INITIAL NEGATIVE IMPACT OF BASQUE INDUSTRIAL RECONVERSION

Madrid ABC in Spanish 3 May 84 p 56

[Text] Bilbao--EFE--About 23,500 Basque Region workers will be affected by the industrial reconversion plans according to forecasts made by that region's government. During the next 5 years 300 billion pesetas will be invested in this reindustrialization plan.

The financial contributions planned by the central government amount to 309.631 billion pesetas to which must be added the investments of the Basque Government in the reconversion plans for such subsectors as machine tools, armament and hardware, among other things. Of the 309.631 billion pesetas to be contributed by the state, 100.093 billion pesetas will be outright subsidies and the remaining 209.538 billion pesetas will be contributions in the form of credits and loan guarantees by the Official Credit Institute [ICO].

To these figures one must add the 7,500 workers who may be affected by the reconversion of the subsectors of machine tools, armament and hardware in which the Basque Government plans to invest several tens of billions of pesetas.

The Alto Hornos [steel mills] of Vizcaya is the enterprise most affected by the reconversion plans. It employs 10,000 people, and 182,792 billion pesetas will be spent there.

In 1984, 46.424 billion pesetas are to be invested, of which 4.931 billion pesetas will be in loan guarantees, 30.805 billion pesetas will be in direct credits, and 10.688 billion pesetas will be in outright subsidies. The largest investment will be made in 1986, amounting to 55.686 billion pesetas and during the 2 subsequent years the investments will be smaller: 24.014 billion pesetas and 5.712 billion pesetas respectively.

The other important sector, in respect to the volume of investments, is special steels in which, it is planned to invest 14,934 billion pesetas in 1984 and 17.193 billion pesetas in 1985.

In this special steel sector (consisting of the Echevarria, Olarra y Pedro Orbegoza enterprises) the reduction of employees during the first phase will be 2,000 workers and during a later phase 2,000 more workers may be affected.

The naval sector is at the stage of working out the general outlines of the restructuring of large, medium-sized and small shipyards. In the first group, there are 8,134 workers, all of whom are employed by Astilleros Espanoles located at the shipbuilding centers of Sestao (5,300 workers) and Olarra (2,834 workers).

The government delegation reported that this reconversion process, during its first phase, will have a negative impact but, with the planned investments, a modern and solid production apparatus will be built "with which it will be possible to mitigate those initial negative effects on the process and place and Basque Country in an optimal position for industrial revival."

This revival may come into focus in 1984 if the Basque Government's forecasts of an increase of between 2.5 and 4 percent in internal gross production are realized. In 1983 the increase was of 0.5 percent.

At the end of 1983, the Basque Country employment rate was 20.2 percent as compared to 18.4 percent for all of Spain.

Excesses and Investments By Sector

Industrial Sectors	Redundant Workers	Investments in billions of pesetas
Iron and steel	1,800	182.792
Common steel	544	4.65
Special steels	4,000	53.489
White line electrodes	2,000	21.0
Electronic components	400	1.512
Large shipyards	4,500	46.4
Small and medium-sized shipyards	2,300	13.25

9204

CSO: 3548/251

OIL FIRMS: REFINERIES UNABLE TO MEET SULFUR CONTENT PROPOSAL

Copenhagen BERLINGSKE TIDENDE in Danish 12 May 84 p 11

[Article by Peter Kjelstrup: "Sulfur Cannot Be Removed from Fuel Oil"]

[Text] Danish refineries cannot be rebuilt for removing sulfur from crude oil with a high sulfur content. For this reason we are cutting ourselves off from using 90 percent of the world's crude oil, Esso believes.

"It is, practically speaking, not possible in Denmark to remove sulfur from crude oil with a high sulfur content."

This was said by Danish Esso Information Chief Jørgen Posborg to BERLINGSKE TIDENDE in light of the fact that former Energy Minister Poul Nielson characterized the information given to BERLINGSKE TIDENDE yesterday by Oil Business United Agency Director Henning Tandrup as deliberately misleading.

Poul Nielson tells BERLINGSKE TIDENDE that is it misinformation when Henning Tandrup says that Denmark is cutting itself off from using 90 percent of the crude oil in the world. Other countries, such as Japan and California [as published], have just as extensive environmental protection requirements and get oil from, respectively, the Middle East and Mexico, which from both places has a high sulfur content.

"If the oil industry wants to preserve an image of being dynamic and responsible, the industry should rather have said that if all companies can manage this desulfurization abroad, we can also manage it here."

"But we cannot," Jørgen Posborg of Danish Esso says.

"Although it is in theory possible to build desulfurization plants which can manage to desulfurize heavy fuel oil, it would cost at least 2 billion kroner per refinery," the information chief says, who, practically speaking, does not believe that such an investment would at all be made at the, in the international context, small refineries in Denmark.

"It is possible to desulfurize both gasoline and light heating gas oil," Jørgen Posborg says. Therefore, presumably no considerable rise in price will

occur because the sulfur limits are reduced in heating gas oil. But then it is, practically speaking, impossible to desulfurize heavy fuel oil."

Poul Nielson tells BERLINGSKE TIDENDE that the "misinformation" from both the electric power plants and the oil industry is about to assume a fixed pattern. This has, for one thing, gotten Jørgen Gotfredsen, chairman of the Zealand electric power collaborative, Elkraft, to react sharply.

"I will not refrain from expressing my great amazement over the fact that the electric power plants in this way are to be exposed to public contempt for deliberately having misinformed," it reads in a press release from Jørgen Gotfredsen.

"The electric power plants always strive to give sober and honest information. In connection with this statement, I must ask Poul Nielson to enumerate carefully the cases of misinformation which exist on the part of the electric power plants."

Poul Nielson tells BERLINGSKE TIDENDE that the electric power plants "overstated by a factor of two" when it was discussed what it costs to avoid buying coal from South Africa during the debate last year.

And that the electric power plants "did it again" when it was discussed what it costs to fire with DONG's [Danish Oil and Natural Gas] surplus gas in Danish power plants.

8985

CSO: 3613/166

PANEL RECOMMENDS CLOSER MONITORING OF HAZARDOUS CHEMICALS

Copenhagen INFORMATION in Danish 9 May 84 p 9

[Article by RB: "Hazardous Waste Firms to be Registered; Municipal Monitoring to Be Made More Efficient"]

[Text] The municipalities' problems with hazardous chemical waste, which frequently give rise to major or minor environmental scandals, are now to be solved, partly by ensuring a better collection system, and partly by means of computerized registration.

A panel with representatives from the Environmental Protection Administration and the National League of Municipalities recommends in a report to Environment Minister Christian Christensen (Christian People's Party) that the collection system in the municipalities be improved so that petroleum and chemical waste will be transported to Kommunekemi [Municipal Chemical Waste Treatment Facility] in Nyborg instead of out into nature.

At the same time nationwide computerized registration at Kommunekemi will gather information from chemical producing firms, among other things, on how they get rid of waste. This information will make more efficient the monitoring of firms by the municipalities. For it is too poor as it goes now, the panel believes.

Serious Shortcomings

The panel points to a number of serious shortcomings in monitoring by the municipalities.

"Everything indicates that there is more waste than we know of," says Jens Kampmann, Environmental Protection Administration director and chairman of the panel. He estimates that between 20 and 30 percent of the chemical waste does not get to see the light of day.

"In the first round it is a question of recommendations to the municipalities, and I want to believe that this will be enough," Jens Kampmann says.

But if it is not enough, according to Jens Kampmann there is the possibility of forcing solutions through within the present legislative framework. But the panel believes that the present laws ought to be submitted to an assessment.

The panel has learned that Kommunekemi gets most of its waste from municipalities in which a collection system has been established, from firms to the country's 21 receiving stations, which send the waste to Kommunekemi. But only seven of these stations have such a collection system, it appears in the report.

At the same time the panel thinks that the municipalities' exemption system for the disposal of waste should be scrutinized. It is the municipalities which have the responsibility for the waste's being brought to Kommunekemi in Nyborg, or for an exemption's being able to be given for getting rid of it in another manner.

On Monday the environment minister will meet with representatives from the National League of Municipalities at Kommunekemi in Nyborg in order to see how the report's suggestions can be implemented.

8985

CSO: 3613/166

ENVIRONMENT MINISTER: SULFUR REDUCTION MEASURES JUSTIFIED

Copenhagen BERLINGSKE TIDENDE in Danish 17 May 84 p 10

[Op Ed Article by Christian Christensen, environment minister: "Now Something Is to Be Done About Sulfur Pollution"]

[Text] It has been possible in recent weeks to read on TV and in the press some criticism of the government's and Folketing's decision that an effort must now be made to reduce sulfur pollution. The criticism has been that it would be much too expensive and that it is first and foremost the Swedes who will benefit by our effort. There are reasons for correcting this interpretation.

First, the fact remains that there is a very big majority in the Folketing which supports the objective that Denmark must reduce sulfur pollution. Industry, the electric power plants, and the green organizations agree with the Folketing majority and the government about this.

One could get the impression that the chosen goal will be detrimental to the competitiveness of Danish industry. It is true that it costs money to make an effort against sulfur pollution, but it has all the time been the government's attitude that we must do this in a way that the electric power plants and industry do not have undue burdens placed upon them.

By establishing a quota for the maximum sulfur emission of electric power plants in 1995, we will achieve regulation which does not unduly fetter the planning freedom of the electric power plants. We are avoiding detailed regulation of individual power plants, which is of great importance for the electric power plants' ability to continue to carry on the efficient production of electricity. And this means also that industry will get time to adapt to the price increases of 3 øre per kWh--the price which can be expected. In this connection, I want to draw attention to the fact that this price increase will first occur during the 90's. The government will discuss with the electric power plants and industry's leaders, at meetings in the very near future, how we in practice will ensure reasonable administration of the law and the smoothing out of price increases.

But what about other countries? It is they who think that Denmark is walking alone and going far ahead of all other countries. This is true today, but I

am convinced that when we reach the 90's many other countries will also have joined us. Here I can refer to the fact that at present 10 countries have rallied to the fact that sulfur pollution is to be reduced by at least 30 percent by 1993 at the latest, as suggested by ECE (UN Economic Commission for Europe). In EC, too, a proposal has recently been made that member countries must reduce their sulfur pollution--and quite a bit at that. I think it is quite reasonable to establish our own policy instead of waiting for the demands which will come to us from outside.

Therefore, let me assert that everyone agrees that sulfur pollution must be reduced, and it is the government's attitude that this is to take place in such a way that the electric power plants and industry also can live with it.

Lastly let me comment on the criticism there has been of the decisions regarding the sulfur content in heating oil.

Both in the Environment Ministry and in the Folketing Environment and Planning Committee they are aware that we can encounter problems if we make the fuel oil sulfur content requirement, at one percent, stricter.

For this reason it does not take me by surprise when BERLINGSKE TIDENDE criticizes us for the fact that by introducing the requirement we can risk cutting ourselves off from opportunities to supply ourselves with oil.

But I think it is my duty to make BERLINGSKE TIDENDE's readers aware of the fact that the requirement will first be in effect as of 1 January 1988. In consideration of the bill the point has been made that before we put the decision into effect we in the Environment Ministry are to study the problem. We must negotiate with the affected parties, which are the oil industry and large consumers of oil. I will round off by notifying the Environment and Planning Committee what the consequences can be of our making the requirements stricter.

It is my impression that the problems are associated first and foremost with the technical and economic possibilities of Danish refineries' desulfurizing oil. But it would surprise me if solutions were not found to this problem.

Included in the picture is the fact that 60 percent of the oil we are using for the time being comes from the North Sea. It is Danish or imported from England. It is precisely North Sea oil which is characterized by being low in sulfur. Added to this is the fact that the consumption of fuel oil in years to come is expected to continue to drop, because conversion from fuel oil to natural gas, straw and wood chips is taking place.

I will also mention the fact that it is still possible to use oil that contains a lot of sulfur. But this presupposes that it is possible to clean the oil or the smoke so that the amount of sulfur which is emitted is equal to using fuel oil with a sulfur content of under one percent.

In this connection, I am happy to state that several Danish firms are very far ahead in sulfur removal in smaller systems which burn fuel oil.

With the decisions which a very broad majority in the Folketing has made, I find that these problems can be handled quite reasonably. A longterm basis has been created for combating acid rain, and we have avoided committing ourselves to specific means which in the longer term can prove to be economically inexpedient. The limitation of sulfur pollution can be coordinated with the redistribution of the energy supply which will take place in coming years.

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END